

# **CAPE AGULHAS LOCAL MUNICIPALITY**



**KAAP AGULHAS MUNISIPALITEIT  
CAPE AGULHAS MUNICIPALITY  
U MASIPALA WASECAPE AGULHAS**

## **ANNUAL FINANCIAL STATEMENTS**

**30 JUNE 2017**

# CAPE AGULHAS LOCAL MUNICIPALITY

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# CAPE AGULHAS LOCAL MUNICIPALITY

## GENERAL INFORMATION

### NATURE OF BUSINESS

Cape Agulhas Local Municipality performs the functions as set out in the Constitution. (Act no 105 of 1996)

### LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

### JURISDICTION

The Cape Agulhas Local Municipality includes the following areas:

Bredasdorp	L'Agulhas	Protem
Napier	Arniston	Klipdale
Struisbaai	Suiderstrand	

### MEMBERS OF THE COUNCIL

Position	Councillor	Ward	Additional Portfolio
Executive Mayor	PJ Swart	Ward 5	
Executive Deputy Mayor	Z Tonisi	Proportional	
Speaker	J G A Niewoudt	Ward 4	
Councillor - Full time	G D Burger	Proportional	Member of Executive Mayoral Committee
Councillor - Full time	M October	Ward 2	Member of Executive Mayoral Committee
Councillor - Part time	D Jantjies	Proportional	
Councillor - Part time	E C Marthinus	Proportional	
Councillor - Part time	E Sauls	Ward 1	
Councillor - Part time	C J Jacobs	Proportional	Chairperson of MPAC
Councillor - Part time	R J Baker	Ward 3	
Councillor - Part time	D J Europa	Ward 6	

### MUNICIPAL MANAGER

Mr D O'Neill

### CHIEF FINANCIAL OFFICER

Mr H Van Biljon

### REGISTERED OFFICE

1 Dirkie Uys Street, Bredasdorp, 7280

### POSTAL ADDRESS

PO Box 51, Bredasdorp, 7280

# CAPE AGULHAS LOCAL MUNICIPALITY

## GENERAL INFORMATION

### AUDITORS

Office of the Auditor General (WC)

### PRINCIPLE BANKERS

ABSA, Bredasdorp

### ATTORNEYS

Luttig, Badenhorst & Fourie Attorneys

Kruger & Blignaut Attorneys

### RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)

Division of Revenue Act

The Income Tax Act

Value Added Tax Act

Municipal Structures Act (Act no 117 of 1998)

Municipal Systems Act (Act no 32 of 2000)

Municipal Planning and Performance Management Regulations

Water Services Act (Act no 108 of 1997)

Housing Act (Act no 107 of 1997)

Municipal Property Rates Act (Act no 6 of 2004)

Electricity Act (Act no 41 of 1987)

Skills Development Levies Act (Act no 9 of 1999)

Employment Equity Act (Act no 55 of 1998)

Unemployment Insurance Act (Act no 30 of 1966)

Basic Conditions of Employment Act (Act no 75 of 1997)

Supply Chain Management Regulations, 2005

Collective Agreements

Infrastructure Grants

SALBC Leave Regulations

Municipal Budget and Reporting Regulations

mSCOA Regulations

# CAPE AGULHAS LOCAL MUNICIPALITY

## APPROVAL OF FINANCIAL STATEMENTS

### APPROVAL OF ACCOUNTING OFFICER

I am responsible for the preparation of these annual financial statements year ended 30 June 2017, which are set out on pages 1 to 137 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2018 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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Mr D O'Neill  
Municipal Manager

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Date

# CAPE AGULHAS LOCAL MUNICIPALITY

## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017

	Notes	2017 R (Actual)	2016 R (Restated)
<b>ASSETS</b>			
<b>Current Assets</b>		<b>62 317 492</b>	<b>44 523 957</b>
Cash and Cash Equivalents	2	24 361 469	14 383 798
Receivables from Exchange Transactions	3	22 145 598	23 789 192
Receivables from Non-exchange Transactions	4	14 312 085	4 736 431
Operating Lease Asset	5.1	140 757	108 964
Current Portion of Long-term Receivables	6	31 117	27 208
Inventory	7	1 326 467	1 478 364
<b>Non-current Assets</b>		<b>415 891 139</b>	<b>403 366 580</b>
Long-Term Receivables	6	196 035	227 042
Investment Property	8	40 870 029	40 886 559
Property, Plant And Equipment	9	323 664 539	312 686 226
Intangible Assets	10	3 572 415	890 502
Capitalised Restoration Cost (PPE)	11	47 588 121	48 676 251
<b>Total Assets</b>		<b>478 208 632</b>	<b>447 890 537</b>
<b>Current Liabilities</b>		<b>48 898 969</b>	<b>26 207 261</b>
Current Portion of Long-Term Liabilities	13	684 389	869 577
Consumer Deposits	16	4 290 749	4 008 082
Payables from Exchange Transactions	17	31 479 859	9 597 946
Unspent Conditional Government Grants	18	1 570 000	278 750
Unspent Public Contributions	19	37 262	87 943
Taxes	20	41 734	1 330 413
Operating Lease Liability	5.2	11 812	26 410
Current Employee Benefits	21	10 783 164	10 008 140
<b>Non-current Liabilities</b>		<b>119 251 771</b>	<b>114 348 760</b>
Long-Term Liabilities	13	2 011 854	2 503 641
Employee Benefits	22	50 942 453	49 624 458
Non-Current Provisions	23	66 297 464	62 220 661
<b>Total Liabilities</b>		<b>168 150 740</b>	<b>140 556 020</b>
<b>Net Assets</b>		<b>310 057 891</b>	<b>307 334 516</b>
<b>Community Wealth</b>			
Accumulated Surplus	24	290 057 891	293 834 516
Capital Replacement Reserve	24	20 000 000	13 500 000
<b>Total Community Wealth</b>		<b>310 057 891</b>	<b>307 334 516</b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2017

		Notes	2017 R (Actual)	2016 R (Restated)
<b>REVENUE</b>				
<b>REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>			<b>112 042 299</b>	<b>101 589 307</b>
Taxation Revenue			54 801 761	49 930 979
Property Rates	25		54 801 761	49 930 979
<b>Transfer Revenue</b>			<b>45 470 659</b>	<b>44 222 044</b>
Government Grants and Subsidies - Capital	26		10 815 689	12 898 517
Government Grants and Subsidies - Operating	26		33 735 113	30 085 805
Public Contributions and Donations - Capital	27		164 509	733 132
Public Contributions and Donations - Operating	27		35 282	118 700
Contributed Assets			720 066	385 890
<b>Other Revenue</b>			<b>11 769 879</b>	<b>7 436 284</b>
Fines	28		6 418 487	7 307 749
Actuarial Gains	29		5 189 508	-
Third Party - Insurance Receipts			161 884	125 000
Reversal of Impairments	11		-	3 535
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>			<b>158 385 160</b>	<b>144 464 896</b>
<b>Operating Activities</b>			<b>158 385 160</b>	<b>144 464 896</b>
Service Charges	30		139 116 532	125 268 151
Rental of Facilities and Equipment	31		7 786 767	6 440 756
Interest Earned - External Investments			2 130 979	1 906 965
Interest Earned - Outstanding Debtors	32		1 563 532	1 168 653
Licences and Permits			1 109 013	1 018 906
Agency Services			1 614 960	1 520 406
Other Income	33		5 051 376	3 509 474
Gains on Disposal of Properties			12 000	3 631 584
<b>TOTAL REVENUE</b>			<b>270 427 460</b>	<b>246 054 203</b>
<b>EXPENDITURE</b>				
Employee Related Costs	34		107 931 799	98 825 565
Remuneration of Councillors	35		4 743 451	3 624 961
Debt Impairment	36		10 595 841	8 221 894
Depreciation and Amortisation	37		11 019 554	10 723 661
Actuarial Losses	39		-	2 221 374
Finance Charges	40		9 307 095	7 635 572
Bulk Purchases	41		73 081 748	66 953 199
Contracted Services	42		13 025 589	9 352 610
Transfers and Grants	43		1 464 986	1 491 350
Other Expenditure	44		35 845 228	32 545 046
Loss on Disposal of PPE			688 792	348 983
<b>TOTAL EXPENDITURE</b>			<b>267 704 084</b>	<b>241 944 215</b>
<b>NET SURPLUS FOR THE YEAR</b>			<b>2 723 376</b>	<b>4 109 988</b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDING 30 JUNE 2017

	CAPITAL REPLACEMENT RESERVE R	ACCUMULATED SURPLUS R	TOTAL R
<b>Balance on 30 June 2015 - Previously Reported</b>	<b>17 750 000</b>	<b>288 708 707</b>	<b>306 458 706</b>
Prior Period Adjustment - Refer to note 45.1	-	(3 234 179)	(3 234 179)
<b>Balance on 30 June 2015 - Restated</b>	<b>17 750 000</b>	<b>285 474 528</b>	<b>303 224 527</b>
Net Surplus for the Year	-	4 109 988	4 109 988
Transfers to Reserves	446 261	(446 261)	-
Property, Plant and Equipment Purchased	(4 696 261)	4 696 261	-
<b>Balance on 30 June 2016 - Restated</b>	<b>13 500 000</b>	<b>293 834 516</b>	<b>307 334 516</b>
Net Surplus for the Year	-	2 723 376	2 723 376
Transfers to Reserves	16 459 334	(16 459 334)	-
Property, Plant and Equipment Purchased	(9 959 334)	9 959 334	-
<b>Balance on 30 June 2017</b>	<b>20 000 000</b>	<b>290 057 891</b>	<b>310 057 891</b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2017

	Notes	2017 R (Actual)	2016 R (Restated)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Property Rates		52 601 208	48 573 465
Service Charges		134 653 593	120 075 610
Other Revenue		10 807 776	2 971 078
Government - Operating		33 905 429	36 734 956
Government - Capital		11 515 689	13 024 692
Interest		3 694 511	3 075 618
<b>Payments</b>			
Suppliers and Employees		(211 524 114)	(213 199 157)
Finance Charges		(353 392)	(140 796)
Transfers and Grants		(1 464 986)	(1 491 350)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>47</b>	<b>33 835 715</b>	<b>9 624 114</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
<b>Receipts</b>			
Proceeds on Disposal of Assets		20 000	4 623 333
Decrease in Long-Term Receivables		27 098	28 751
<b>Payments</b>			
Purchase of Property, Plant and Equipment		(20 509 838)	(20 706 300)
Purchase of Intangible Assets		(3 000 995)	(50 000)
<b>NET CASH USED INVESTING ACTIVITIES</b>		<b>(23 463 736)</b>	<b>(16 104 215)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
<b>Receipts</b>			
New loans raised		220 035	2 428 390
Increase in Consumer Deposits		282 667	163 236
<b>Payments</b>			
Loans Repaid		(897 009)	(561 819)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>(394 307)</b>	<b>2 029 807</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>		<b>9 977 671</b>	<b>(4 450 295)</b>
Cash and Cash Equivalents at the beginning of the year		14 383 798	18 834 093
Cash and Cash Equivalents at the end of the year		24 361 469	14 383 798
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>		<b>9 977 671</b>	<b>(4 450 295)</b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017

#### COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2017 R (Actual)	2017 R (Final Budget)	2017 R (Variance)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	24 361 469	24 680 479	(319 010)
Consumer Debtors	25 821 075	19 922 209	5 898 866
Other Receivables	10 777 365	6 199 149	4 578 216
Current portion of Long-Term Receivables	31 117	27 208	3 909
Inventory	1 326 467	1 350 000	(23 533)
<b>Total Current Assets</b>	<b>62 317 492</b>	<b>52 179 044</b>	<b>10 138 448</b>
<b>Non Current Assets</b>			
Long-Term Receivables	196 035	199 834	(3 799)
Investment Property	40 870 029	40 239 029	631 000
Property, Plant and Equipment	323 664 539	330 367 811	(6 703 272)
Intangible Assets	3 572 415	3 144 261	428 154
Capitalised Restoration Cost	47 588 121	46 022 690	1 565 431
<b>Total Non-Current Assets</b>	<b>415 891 139</b>	<b>419 973 625</b>	<b>(4 082 486)</b>
<b>TOTAL ASSETS</b>	<b>478 208 632</b>	<b>472 152 670</b>	<b>6 055 962</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Borrowing	684 389	1 484 323	(799 934)
Consumer Deposits	4 290 749	4 188 446	102 303
Trade and Other Payables	33 140 667	21 473 861	11 666 806
Provisions and Employee Benefits	10 783 164	14 816 319	(4 033 155)
<b>Total Current Liabilities</b>	<b>48 898 970</b>	<b>41 962 949</b>	<b>6 936 020</b>
<b>Non-Current Liabilities</b>			
Borrowing	2 011 854	4 273 587	(2 261 732)
Provisions and Employee Benefits	117 239 917	113 138 939	4 100 978
<b>Total Non-Current Liabilities</b>	<b>119 251 771</b>	<b>117 412 526</b>	<b>1 839 245</b>
<b>TOTAL LIABILITIES</b>	<b>168 150 741</b>	<b>159 375 475</b>	<b>8 775 265</b>
<b>NET ASSETS</b>	<b>310 057 891</b>	<b>312 777 195</b>	<b>(2 719 304)</b>
<b>COMMUNITY WEALTH</b>			
Accumulated Surplus	290 057 891	292 777 195	(2 719 304)
Reserves	20 000 000	20 000 000	-
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>310 057 891</b>	<b>312 777 195</b>	<b>(2 719 304)</b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017

#### ADJUSTMENTS TO APPROVED BUDGET

	2017 R (Approved Budget)	2017 R (Adjustments)	2017 R (Final Budget)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	10 098 032	14 582 447	24 680 479
Consumer Debtors	22 622 544	(2 700 335)	19 922 209
Other Receivables	6 700 280	(501 131)	6 199 149
Current portion of Long-Term Receivables	4 439	22 768	27 208
Inventory	1 485 089	(135 089)	1 350 000
<b>Total Current Assets</b>	<b>40 910 384</b>	<b>11 268 660</b>	<b>52 179 044</b>
<b>Non-Current Assets</b>			
Long-Term Receivables	269 682	(69 848)	199 834
Investment Property	40 688 696	(449 667)	40 239 029
Property, Plant And Equipment	332 165 584	(1 797 773)	330 367 811
Intangible Assets	1 043 326	2 100 935	3 144 261
Capitalised Restoration Cost	46 424 978	(402 288)	46 022 690
<b>Total Non Current Assets</b>	<b>420 592 266</b>	<b>(618 641)</b>	<b>419 973 625</b>
<b>TOTAL ASSETS</b>	<b>461 502 651</b>	<b>10 650 019</b>	<b>472 152 670</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Borrowing	654 000	830 323	1 484 323
Consumer Deposits	4 401 580	(213 134)	4 188 446
Trade and Other Payables	13 972 573	7 501 288	21 473 861
Provisions and Employee Benefits	13 726 880	1 089 439	14 816 319
<b>Total Current Liabilities</b>	<b>32 755 033</b>	<b>9 207 916</b>	<b>41 962 949</b>
<b>Non Current Liabilities</b>			
Borrowing	5 857 055	(1 583 468)	4 273 587
Provisions and Employee Benefits	115 144 585	(2 005 646)	113 138 939
<b>Total Non-Current Liabilities</b>	<b>121 001 639</b>	<b>(3 589 114)</b>	<b>117 412 526</b>
<b>TOTAL LIABILITIES</b>	<b>153 756 673</b>	<b>5 618 802</b>	<b>159 375 475</b>
<b>NET ASSETS</b>	<b>307 745 978</b>	<b>5 031 218</b>	<b>312 777 195</b>
<b>COMMUNITY WEALTH</b>			
Accumulated Surplus	297 745 978	(4 968 782)	292 777 195
Reserves	10 000 000	10 000 000	20 000 000
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>307 745 978</b>	<b>5 031 218</b>	<b>312 777 195</b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2017

#### COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2017 R (Actual)	2017 R (Final Budget)	2017 R (Variance)
<b>REVENUE BY SOURCE</b>			
Property Rates	54 801 761	54 429 400	372 361
Service Charges - Electricity Revenue	95 089 987	95 204 876	(114 889)
Service Charges - Water Revenue	21 719 102	20 938 360	780 742
Service Charges - Sanitation Revenue	8 958 631	7 899 240	1 059 391
Service Charges - Refuse Revenue	13 348 813	13 499 063	(150 250)
Rental Of Facilities and Equipment	7 786 767	7 711 500	75 267
Interest Earned - External Investments	2 130 979	2 049 500	81 479
Interest Earned - Outstanding Debtors	1 563 532	1 553 060	10 472
Fines	6 418 487	8 539 500	(2 121 013)
Licences and Permits	1 109 013	924 500	184 513
Agency Services	1 614 960	1 373 900	241 060
Transfers Recognised - Operational	33 735 113	52 916 249	(19 181 136)
Other Revenue	10 433 353	9 031 265	1 402 088
Gains on Disposal of Properties	12 000	-	12 000
<b>TOTAL OPERATING REVENUE</b>	<b>258 722 499</b>	<b>276 070 413</b>	<b>(17 347 914)</b>
<b>EXPENDITURE BY TYPE</b>			
Employee Related Costs	107 931 799	101 881 055	6 050 744
Remuneration of Councillors	4 743 451	4 785 700	(42 249)
Debt Impairment	10 595 841	7 400 200	3 195 641
Depreciation & Asset Impairment	11 019 554	10 887 600	131 954
Finance Charges	9 307 095	9 457 413	(150 318)
Bulk Purchases	73 081 748	73 221 100	(139 352)
Contracted Services	13 025 589	8 880 880	4 144 709
Transfers and Grants	1 464 986	1 808 110	(343 124)
Other Expenditure	35 845 228	68 672 021	(32 826 793)
Loss on Disposal of PPE	688 792	-	688 792
<b>TOTAL OPERATING EXPENDITURE</b>	<b>267 704 084</b>	<b>286 994 079</b>	<b>(19 289 995)</b>
<b>OPERATING DEFICIT FOR THE YEAR</b>	<b>(8 981 585)</b>	<b>(10 923 666)</b>	<b>1 942 081</b>
Transfers Recognised - Capital	10 815 689	11 899 441	(1 083 752)
Contributions Recognised - Capital	169 206	708 190	(538 984)
Contributed Assets	720 066	197 961	522 105
<b>NET SURPLUS FOR THE YEAR</b>	<b>2 723 376</b>	<b>1 881 926</b>	<b>841 450</b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2017

#### ADJUSTMENTS TO APPROVED BUDGET

	2017 R (Approved Budget)	2017 R (Adjustments)	2017 R (Final Budget)
<b>REVENUE BY SOURCE</b>			
Property Rates	54 671 400	(242 000)	54 429 400
Service Charges - Electricity Revenue	95 198 058	6 818	95 204 876
Service Charges - Water Revenue	22 393 300	(1 454 940)	20 938 360
Service Charges - Sanitation Revenue	7 527 900	371 340	7 899 240
Service Charges - Refuse Revenue	13 604 013	(104 950)	13 499 063
Rental of Facilities and Equipment	7 664 400	47 100	7 711 500
Interest Earned - External Investments	1 899 500	150 000	2 049 500
Interest Earned - Outstanding Debtors	876 000	677 060	1 553 060
Fines	8 538 000	1 500	8 539 500
Licences and Permits	347 000	577 500	924 500
Agency Services	1 373 900	-	1 373 900
Transfers Recognised - Operational	60 024 936	(7 108 687)	52 916 249
Other Revenue	4 480 649	4 550 617	9 031 265
<b>TOTAL OPERATING REVENUE</b>	<b>278 599 056</b>	<b>(2 528 643)</b>	<b>276 070 413</b>
<b>EXPENDITURE BY TYPE</b>			
Employee Related Costs	101 846 744	34 311	101 881 055
Remuneration of Councillors	4 785 700	-	4 785 700
Debt Impairment	7 400 200	-	7 400 200
Depreciation & Asset Impairment	10 887 600	-	10 887 600
Finance Charges	8 526 822	930 591	9 457 413
Bulk Purchases	75 101 100	(1 880 000)	73 221 100
Contracted Services	10 777 600	(1 896 720)	8 880 880
Transfers and Grants	1 783 110	25 000	1 808 110
Other Expenditure	76 276 086	(7 604 065)	68 672 021
<b>TOTAL OPERATING EXPENDITURE</b>	<b>297 384 962</b>	<b>(10 390 883)</b>	<b>286 994 079</b>
<b>OPERATING SURPLUS/(DEFICIT) FOR THE YEAR</b>			
Transfers Recognised - Capital	(18 785 906)	7 862 240	(10 923 666)
Contributions Recognised - Capital	11 931 064	(31 623)	11 899 441
Contributed Assets	-	708 190	708 190
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>(6 854 842)</b>	<b>8 736 768</b>	<b>1 881 926</b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2017

#### COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2017 R (Actual)	2017 R (Final Budget)	2017 R (Variance)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Property Rates	52 601 208	53 449 671	(848 463)
Service Charges	134 653 593	135 065 791	(412 198)
Other Revenue	10 807 776	27 586 011	(16 778 235)
Government - Operating	33 905 429	52 637 499	(18 732 070)
Government - Capital	11 515 689	11 899 441	(383 752)
Interest	3 694 511	3 574 605	119 906
<b>Payments</b>			
Suppliers and Employees	(211 524 114)	(246 387 286)	34 863 171
Finance Charges	(353 392)	(503 700)	150 308
Transfers and Grants	(1 464 986)	(1 453 000)	(11 986)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>33 835 715</b>	<b>35 869 032</b>	<b>(2 033 318)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Receipts</b>			
Proceeds on Disposal of Assets	20 000	-	20 000
Decrease in Non-Current Receivables	27 098	27 208	(110)
<b>Payments</b>			
Capital Assets	(23 510 834)	(28 164 615)	4 653 781
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(23 463 736)</b>	<b>(28 137 407)</b>	<b>4 673 671</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Receipts</b>			
New Loans Raised	220 035	3 824 170	(3 604 135)
Increase in Consumer Deposits	282 667	180 364	102 303
<b>Payments</b>			
Loans Repaid	(897 009)	(1 439 477)	542 468
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(394 307)</b>	<b>2 565 056</b>	<b>(2 959 364)</b>
<b>NET INCREASE IN CASH HELD</b>	<b>9 977 671</b>	<b>10 296 681</b>	<b>(319 010)</b>
Cash and Cash Equivalents at the beginning of the year	14 383 798	14 383 798	-
Cash and Cash Equivalents at the end of the year	24 361 469	24 680 479	(319 010)
<b>NET INCREASE IN CASH HELD</b>	<b>9 977 671</b>	<b>10 296 681</b>	<b>(319 010)</b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2017

#### ADJUSTMENTS TO APPROVED BUDGET

	2017 R (Approved Budget)	2017 R (Adjustments)	2017 R (Final Budget)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Property Rates	53 082 289	367 382	53 449 671
Service Charges	134 691 058	374 733	135 065 791
Other Revenue	16 010 428	11 575 583	27 586 011
Government - Operating	60 024 936	(7 387 437)	52 637 499
Government - Capital	11 931 064	(31 623)	11 899 441
Interest	2 750 038	824 567	3 574 605
<b>Payments</b>			
Suppliers and Employees	(264 144 878)	17 757 592	(246 387 286)
Finance Charges	(503 700)	-	(503 700)
Transfers and Grants	(1 783 110)	330 110	(1 453 000)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>12 058 124</b>	<b>23 810 908</b>	<b>35 869 032</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Receipts</b>			
Decrease in Non-Current Receivables	4 439	22 768	27 208
<b>Payments</b>			
Capital Assets	(24 631 925)	(3 532 690)	(28 164 615)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(24 627 486)</b>	<b>(3 509 922)</b>	<b>(28 137 407)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Receipts</b>			
New Loans Raised	3 750 000	74 170	3 824 170
Increase in Consumer Deposits	249 146	(68 782)	180 364
<b>Payments</b>			
Loans Repaid	(622 667)	(816 810)	(1 439 477)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>3 376 479</b>	<b>(811 422)</b>	<b>2 565 056</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>(9 192 883)</b>	<b>19 489 564</b>	<b>10 296 681</b>
Cash and Cash Equivalents at the beginning of the year	19 290 914	(4 907 116)	14 383 798
Cash and Cash Equivalents at the end of the year	10 098 032	-	24 680 479
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>(9 192 883)</b>	<b>4 907 116</b>	<b>10 296 681</b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 1 ACCOUNTING POLICIES

#### 1.1 BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – November 2013) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

Assets, liabilities, revenue and expenses have not been offset, except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

#### 1.2 TRANSITIONAL PROVISIONS

The Municipality resolved to take advantage of the following transitional provisions:

In term of Directive 7 - "The Application of Deemed Cost on the Adoption of Standards of GRAP", the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible Assets where the acquisition cost of an asset could not be determined.

#### 1.3 PRESENTATION CURRENCY

The financial statements are presented in South African Rand, rounded off to the nearest Rand, which is the Municipality's functional currency.

#### 1.4 GOING CONCERN ASSUMPTION

These financial statements have been prepared on a going concern basis.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 1.5 COMPARATIVE INFORMATION

#### 1.5.1 Prior year comparatives

When the presentation or classification of items in the financial statements are amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatement of comparative information. The nature and reason for the reclassification is disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

#### 1.5.2 Amended Accounting Policies

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements.

### 1.6 MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

### 1.7 BUDGET INFORMATION

Budget information is presented on the accrual basis and is based on the same fiscal period as the actual amounts.

The Statement of Comparison of Budget and Actual Amounts includes the comparison between the approved and final budget amounts, as well as a comparison between the actual amounts and final budget amounts.

The disclosure of comparative information in respect of the previous period is not required by the Standards of GRAP.

### 1.8 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

#### 1.8.1 Effective dates determined

Where a Standard of GRAP has been issued but is not yet effective, the Municipality may resolve to early adopt such a Standard of GRAP if an effective date has been determined by the Minister of Finance.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.8

### NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

The Municipality resolved to early adopt all of the following amended Standards of GRAP which were issued but are not yet effective:

Standard	Description	Effective Date
GRAP 12 (2017)	Inventories	1 April 2018
GRAP 16 (2017)	Investment Property	1 April 2018
GRAP 17 (2017)	Property, Plant and Equipment	1 April 2018
GRAP 21 (2017)	Impairment of non-cash-generating assets	1 April 2018
GRAP 26 (2017)	Impairment of cash-generating assets	1 April 2018
GRAP 27 (2017)	Agriculture	1 April 2018
GRAP 31 (2017)	Intangible Assets	1 April 2018
GRAP 103 (2017)	Heritage Assets	1 April 2018
GRAP 106 (2017)	Transfer of Functions Between Entities Not Under Common Control	1 April 2018

The effect of the above-mentioned amended Standards of GRAP which were early adopted is considered insignificant. The amendments to the Standards of GRAP mainly relate to the clarification of accounting principles.

The Municipality resolved not to early adopt the following Interpretation of the Standard of GRAP which was issued but is not yet effective:

Standard	Description	Effective Date
iGRAP 18 (2017)	Recognition and Derecognition of Land	1 April 2018

This Interpretation of the Standards of GRAP could potentially have disclosure requirements currently not included in the financial statements of the municipality when it becomes effective. Accurate accounting treatment of land, based on control, already included in financial records of the municipality.

The Municipality further resolved not to early adopt Directive 12 - "The Selection of an Appropriate Reporting Framework by Public Entities" (effective 1 April 2018) as this Directive is not applicable to municipalities and will have no impact on the Municipality once it becomes effective.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 1.8 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

#### 1.8.2 Effective dates not yet determined

Where a Standard of GRAP has been issued but not yet effective and the Minister of Finance has not yet determined an effective date, the Municipality may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event.

The following Standards of GRAP have been issued but are not yet effective as the Minister of Finance has not yet determined the effective date for application:

##### 1.8.2.1 *GRAP 18 - Segment Reporting (Original - February 2011)*

The objective of this Standard is to establish principles for reporting financial information by segments.

Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will be not be significant.

##### 1.8.2.2 *GRAP 20 - Related Party Disclosure (Original - June 2011)*

The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The Municipality resolved to develop an accounting policy as set out in note 1.35 and also adopt the disclosure requirements of this Standard.

The impact of this Standard on the financial statements will be minimal.

##### 1.8.2.3 *GRAP 32 - Service Concession Arrangements: Grantor (Original - August 2013)*

The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.

Preliminary investigations indicated that, other than possible additional disclosure, the impact of the Standards on the financial statements will be not be significant.

##### 1.8.2.4 *GRAP 34 - Separate Financial Statements (Original - March 2017)*

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

No significant impact is expected as the Municipality has no investments in any entities.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 1.8 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

#### 1.8.2.5 GRAP 35 - *Consolidated Financial Statements (Original - March 2017)*

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

No significant impact is expected as the Municipality does not control any entities.

#### 1.8.2.6 GRAP 36 - *Investments in Associates and Joint Ventures (Original - March 2017)*

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

No significant impact is expected as the Municipality does not have investments in any associates or joint ventures.

#### 1.8.2.7 GRAP 37 - *Joint Arrangements (Original - March 2017)*

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

No significant impact is expected as the Municipality does not have an interest in any arrangements that are controlled jointly.

#### 1.8.2.8 GRAP 38 - *Disclosure of Interests in Other Entities (Original - March 2017)*

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- (a) the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- (b) the effects of those interests on its financial position, financial performance and cash flows.

No significant impact is expected as the Municipality does not have an interest in any entities, associates, joint ventures or joint arrangements.

#### 1.8.2.9 GRAP 108 - *Statutory Receivables (Original - September 2013)*

The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

The Municipality resolved to develop an accounting policy as set out in note 1.18.

The impact of this Standard on the financial statements will be minimal.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 1.8 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

#### 1.8.2.10 GRAP 109 - Accounting by Principles and Agents(Original - July 2015)

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.

Preliminary investigations indicated that the impact of the Standards on the financial statements could be significant, especially relating to the disclosure requirements.

#### 1.8.2.11 GRAP 110 - Living and Non-living Resources (Original - March 2017)

The objective of this Standard is to prescribe the:

- (a) recognition, measurement, presentation and disclosure requirements for living resources; and
- (b) disclosure requirements for non-living resources.

No significant impact is expected as the Municipality does not have any living resources.

#### 1.8.2.12 IGRAP 17 - Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards provides guidance to the grantor where it has entered into a service concession arrangement, but only controls a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

Preliminary investigations indicated that, other than possible additional disclosure, the impact of the Standards on the financial statements will be not be significant.

### 1.9 INVESTMENT PROPERTY

#### 1.9.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, for administration purposes, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

Investment property is recognised as an asset when it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially measured at cost on its acquisition date. The cost of investment property is the purchase price and other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 1.9 INVESTMENT PROPERTY (CONTINUED)

Where an investment property is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition and any other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality. The cost of self-constructed investment property is the cost at date of completion. Transfers are made to or from investment property only when there is a change in use.

Where investment property is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

#### 1.9.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

#### 1.9.3 Depreciation – Cost Model

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The depreciation method is reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. If any such indication exists, the expected residual value and useful life are revised and the effect of any changes in estimate accounted for on the a prospective basis.

The annual depreciation rates are based on the following estimated useful lives:

	YEARS
Buildings	100
Land	Indefinite

#### 1.9.4 Impairment

Investment property is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 1.9 INVESTMENT PROPERTY (CONTINUED)

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

#### 1.9.5 Derecognition

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance in the period of the retirement or disposal.

Compensation from third parties for items of investment property that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

### 1.10 PROPERTY, PLANT AND EQUIPMENT

#### 1.10.1 Initial Recognition

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably.

Items of property, plant and equipment are initially recognised at cost on its acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset as at date of acquisition and any other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 1.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment.

#### 1.10.2 Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

#### 1.10.3 Depreciation

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. If any such indication exists, the expected residual value and useful life are revised and the effect of any changes in estimate are accounted for on a prospective basis.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 1.10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The annual depreciation rates are based on the following estimated useful lives:

	YEARS		YEARS
<b>Infrastructure</b>		<b>Land and Buildings</b>	
Roads and Storm water	8 - 99	Buildings and	
Electricity Network	10 - 100	Improvements	10 - 120
Sewerage Network	13 - 89	Land	Indefinite
Water Network	10 - 102		
Refuse Removal	10 - 64		
<b>Community</b>		<b>Other Assets</b>	
Cemeteries	100	Computer Hardware	5 - 20
Clinics	100	Furniture and	
Community Halls	5 - 100	Office Equipment	8 - 30
Libraries	10 - 120	Vehicles	8 - 50
Parks & Gardens	20 - 100	Special Vehicles	15 - 50
Recreation Grounds	50 - 100	Tools and Equipment	8 - 33
Sports facilities	10 - 100	Other	10 - 50
<b>Finance lease assets</b>		<b>Capitalised Restoration Cost</b>	
Office Machines	3 - 15	Landfill Sites	9 - 68

#### 1.10.4 Impairment

Property, plant and equipment is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

#### 1.10.5 Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 1.11 INTANGIBLE ASSETS

#### 1.11.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

The Municipality recognises an intangible asset only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost on its acquisition date. The cost of an intangible asset is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost is measured at its fair value at the date of acquisition and any other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Internally generated intangible assets are subject to a strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) its intention to complete the intangible asset and use or sell it;
- (c) its ability to use or sell the intangible asset;
- (d) how the intangible asset will generate probable future economic benefits or service potential;
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

#### 1.11.2 Subsequent Measurement - Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses.

#### 1.11.3 Amortisation

The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is still subject to an annual impairment test.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 1.11 INTANGIBLE ASSETS

Amortisation of an intangible with a finite life asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Amortisation ceases at the date that the asset is derecognised.

Amortisation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the intangible assets. The amortisation charge for each period is recognised in the Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The residual value of an intangible asset with a finite useful life is considered to be zero.

The amortisation period and amortisation method are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

The annual amortisation rates are based on the following estimated useful lives:

	<b>Years</b>
Computer Software	5 - 10

### 1.11.4 Impairment

Intangible assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

### 1.11.5 Derecognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 1.12 IMPAIRMENT OF NON-MONETARY ASSETS

An impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation.

Cash-generating assets are assets held with the primary objective of generating a commercial return. Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the asset.

#### 1.12.1 Recoverable amount of Cash-generating assets

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

The best evidence of fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

#### 1.12.2 Recoverable amount of Non-cash-generating assets

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use.

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

#### 1.12.3 Impairment loss

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation decrease in accordance with that Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 1.12 IMPAIRMENT OF NON-MONETARY ASSETS

#### 1.12.4 Reversal of an impairment loss

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

A reversal of an impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation increase in accordance with that Standard of GRAP.

After the reversal of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### 1.13 INVENTORIES

#### 1.13.1 Initial Recognition

Inventories are assets:

- (a) in the form of materials or supplies to be consumed in the production process;
- (b) in the form of materials or supplies to be consumed or distributed in the rendering of services;
- (c) held for sale or distribution in the ordinary course of operations; or
- (d) in the process of production for sale or distribution.

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably.

Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventories are acquired through a non-exchange transaction, the cost is measured at the fair value as at the date of acquisition plus any other costs in bringing the inventories to their current location and condition.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 1.13 INVENTORIES

#### 1.13.2 Subsequent Measurement

When inventories are sold, exchanged or distributed the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expense is recognised when the goods are distributed, or related service is rendered.

Inventories are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution. Current replacement cost is the cost the Municipality would incur to acquire the asset on the reporting date.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories is recognised as an expense in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The basis of allocating cost to inventory items is the weighted average method.

At reporting date, the water volume is determined by way of dip readings and the calculated volume in the distribution network. Water inventory is then measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Cost of land held for sale is assigned by using specific identification of their individual costs.

### 1.14 EMPLOYEE BENEFITS

Defined-contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year during which they become payable.

Defined-benefit plans are post-employment benefit plans other than defined-contribution plans.

#### 1.14.1 Post-Retirement Benefits

The Municipality provides retirement benefits for its employees and councillors. Retirement benefits consist of defined-contribution plans and defined-benefit plans.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 1.14 EMPLOYEE BENEFITS (CONTINUED)

#### 1.14.1.1 *Multi-employer defined benefit plans*

The municipality contributes to various National- and Provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. These defined benefit funds are actuarially valued on the projected unit credit method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

#### 1.14.1.2 *Post Retirement Medical Obligations*

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined. The plan is unfunded.

Contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability is calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

### 1.14.2 Long-term Benefits

#### 1.14.2.1 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 1.14 EMPLOYEE BENEFITS (CONTINUED)

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

#### 1.14.3 Short-term Benefits

##### 1.14.3.1 Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at reporting date and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Accumulated leave is vesting.

##### 1.14.3.2 Staff Bonuses Accrued

The liability for staff bonuses is based on the accrued bonus for each employee at reporting date.

##### 1.14.3.3 Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

### 1.15 PROVISIONS

A provision is a liability of uncertain timing or amount. Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.15

### PROVISIONS (CONTINUED)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when it is virtually certain that reimbursement will be received if the Municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement will not exceed the amount of the provision. In the Statement of Financial Performance, the expense relating to a provision may be presented net of the amount recognised for a reimbursement.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

1.16

### LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### 1.16.1 Municipality as Lessee

##### 1.16.1.1 Finance Leases

At the commencement of the lease term, the Municipality recognises assets acquired under finance leases as assets and the associated lease obligations as liabilities in the Statement of Financial Position.

At the inception of the lease, the assets and liabilities are recognised at the lower of the fair value of the leased property and the present value of the minimum lease payments. The discount rate to be used in calculating the present value of the minimum lease payment is the interest rate implicit in the lease. If the rate implicit to the lease is not available the Municipality's incremental borrowing rate is used. Any initial direct costs of the Municipality are added to the amount recognised as an asset.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 1.16 LEASES (CONTINUED)

Subsequent to initial recognition, the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents, if any, are charged as expenses to the Statement of Financial Performance in the periods in which they are incurred. The leased assets are accounted for in accordance with the stated accounting policies applicable to the assets.

#### 1.16.1.2 *Operating leases*

Lease payment under an operating lease is recognised as an expense in the Statement of Financial Performance on a straight-line basis over lease term, unless another systematic basis is more representative of the time pattern of the user's benefit. The difference between the straight-lined expenses and actual payments made will give rise to a liability.

### 1.16.2 Municipality as Lessor

#### 1.16.2.1 *Operating Leases*

Operating lease revenue is recognised in the Statement of Financial Performance on a straight-line basis over the term of the relevant lease, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. The difference between the straight-lined revenue and actual payments received will give rise to an asset.

### 1.17 FINANCIAL INSTRUMENTS

#### 1.17.1 Initial Recognition

Financial instruments (financial assets and financial liabilities) are recognised on the Municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

Financial instruments are initially recognised at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 1.17 FINANCIAL INSTRUMENTS (CONTINUED)

#### 1.17.2 Subsequent Measurement

Financial instruments are categorised as follow:

- (a) **Financial instruments at amortised cost** are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They are included in current assets or current liabilities, except for maturities greater than 12 months, which are classified as non-current. After initial recognition, both financial assets and financial liabilities are measured at amortised cost, using the effective interest rate method. Financial assets are also subject to an impairment review.
- (b) **Financial instruments at cost** are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. Both financial assets and financial liabilities are subsequently measured at cost. Financial assets are subject to an impairment review.
- (c) **Financial instruments at fair value** comprise of financial assets or financial liabilities that are:
  - (i) derivatives;
  - (ii) combined instruments that are designated at fair value;
  - (iii) instruments held for trading;
  - (iv) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
  - (v) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Both, financial assets and financial liabilities are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

#### 1.17.3 Impairment and uncollectability of financial assets

Financial assets, other than those at fair value, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence of impairment of financial assets.

##### 1.17.3.1 *Financial assets measured at amortised cost*

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Cash flows relating to short-term financial assets are not discounted where the effect of discounting is immaterial. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 1.17 FINANCIAL INSTRUMENTS (CONTINUED)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment is reversed by adjusting an allowance account. The amount of the reversal is recognised in Statement of Financial Performance.

#### 1.17.3.2 *Financial assets measured at cost*

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses is not be reversed.

#### 1.17.4 Derecognition of financial instruments

##### 1.17.4.1 *Financial assets*

The Municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Financial assets (receivables) are also derecognised when Council approves the write-off of financial assets due to non-recoverability.

If the Municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the Municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

##### 1.17.4.2 *Financial liabilities*

The Municipality derecognises financial liabilities when the Municipality's obligations are discharged, cancelled or they expire.

The Municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

#### 1.17.5 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 1.18 STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

#### 1.18.1 Initial Recognition

Statutory receivables are recognised when the related revenue (exchange or non-exchange revenue) is recognised or when the receivable meets the definition of an asset. The Municipality initially measure statutory receivables at their transaction amount.

#### 1.18.2 Subsequent Measurement

The Municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is subsequently changed to reflect any interest or other charges that may have accrued on the receivable, less any impairment losses and amounts derecognised.

#### 1.18.3 Impairment and uncollectability of statutory receivables

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired.

If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

#### 1.18.4 Derecognition

The Municipality derecognises a statutory receivable when the rights to the cash flows from the receivable are settled, expire or are waived or the Municipality transfers the receivable and substantially all the risks and rewards of ownership of the receivable to another entity.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 1.18 STATUTORY RECEIVABLES (CONTINUED)

When the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of receivable to another entity, the Municipality derecognises the receivable and recognises separately any rights and obligations created or retained in the transfer.

### 1.19 CASH AND CASH EQUIVALENTS

Cash includes cash on hand, cash held with banks, and call deposits. Cash equivalents are short-term highly liquid investments with registered banking institutions with maturities of three months or less from inception, readily convertible to cash without significant change in value.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred in the Statement of Financial Performance.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any bank overdrafts.

### 1.20 RECEIVABLES

Receivables are recognised initially at fair value, which approximates amortised cost less provision for impairment. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. An estimate is made for impairment of receivables, based on past default experience of all outstanding amounts at reporting date.

Bad debts are written off in the year during which they are identified as irrecoverable, subject to the approval by the appropriate delegated authority. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the Statement of Financial Performance.

### 1.21 TAXES (VALUE ADDED TAX)

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included in the Statement of Financial Position. The Municipality accounts for value-added tax (VAT) on the payment basis.

### 1.22 PAYABLES AND ANNUITY LOANS

Payables and annuity loans are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 1.23 CONSUMER DEPOSITS

Consumer deposits are disclosed as a current liability. Consumer deposits are levied in line with council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

### 1.24 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND UNSPENT PUBLIC CONTRIBUTIONS

Grants, transfers and donations received or receivable are recognised as assets when the resources that have been transferred to the Municipality meet the definition and criteria for recognition as assets.

Conditional grants, transfers and donations are recognised as revenue to the extent that the Municipality has complied with the conditions embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the conditions have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

The liability recognised to the extent that the conditions associated with the grant, transfer or donation have not been met, always has to be cash-backed. The cash which backs up the liability is invested as an individual investment or part of the general investments of the Municipality until it is utilised.

Interest earned on investments of grants, transfers and donations are treated in accordance with conditions as stipulated in the agreement. If it is payable to the grantor it is recorded as part of the creditor and if it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

### 1.25 RESERVES

#### 1.25.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR.

The following provisions are set for the creation and utilisation of the CRR:

- (a) The cash funds that back up the CRR are invested until utilised.
- (b) The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment, and may not be used for the maintenance of these items.
- (c) Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR and the accumulated surplus is credited by a corresponding amount.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 1.26 REVENUE

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the Municipality has no intention of collecting this revenue. Where the Municipality has no intention of collecting the revenue, rebates and discounts are offset against the related revenue. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

#### 1.26.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

##### 1.26.1.1 *Taxation Revenue*

Taxation revenue comprises of property rates. Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

##### 1.26.1.2 *Transfer Revenue*

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants, transfers and donations without any conditions attached are recognised as revenue when the asset is recognised.

##### 1.26.1.3 *Fines*

Fine Revenue constitutes both spot fines and summonses. All fines issued during the year less any cancellations or reductions are recognised as revenue. Any fine reductions or cancellations subsequent to the reported date is recorded as a write-off against the provision raised for debt impairment. In cases where fines and summonses are issued by another government departments, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued by other government institutes.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 1.26 REVENUE (CONTINUED)

#### 1.26.1.4 *Insurance Receipts*

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

#### 1.26.1.5 *Unclaimed deposits*

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months, in which case it will be expensed.

#### 1.26.1.6 *Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure*

Income from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the MFMA (Act 56 of 2003), and is recognised upon the recovery thereof from the responsible party.

#### 1.26.1.7 *Services in-kind*

Services in-kind include services provided by individuals to the Municipality at no charge or where the Municipality has the right to use assets at no charge.

The Municipality recognises services in-kind that are significant to its operations as assets and recognises the related revenue when it is probable that the future economic benefits or service potential will flow to the Municipality and the fair value of the assets can be measured reliably.

When the criteria for recognition is satisfied, services in-kind are recognised at their fair value as at the date of acquisition.

If the services in-kind are not significant to the Municipality's operations or does not satisfy the criteria for recognition, the Municipality only disclose the nature and type of services in-kind received during the reporting period.

#### 1.26.1.8 *Contributed Assets*

Contributed assets are recognised at fair value when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 1.26 REVENUE (CONTINUED)

#### 1.26.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

##### 1.26.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

Service charges relating to electricity and water are based on consumption and a basic charge as per the approved tariffs. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created, based on consumption history. The provisional estimates of consumption are recognised as revenue when invoiced, except at reporting date when estimates of consumption up to the reporting date are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at reporting date is recognised as a liability under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to each property. These service charges are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved and are levied on a monthly basis.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

##### 1.26.2.2 Investment income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

##### 1.26.2.3 Rental income

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 1.26 REVENUE (CONTINUED)

#### 1.26.2.4 *Income from Agency Services*

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the Municipality as compensation for executing the agreed services.

Income from agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

#### 1.26.2.5 *Other Tariffs*

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

#### 1.26.2.6 *Sale of goods*

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- (a) The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- (b) The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- (c) The amount of revenue can be measured reliably.
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### 1.26.2.7 *Deferred payment*

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

### 1.27 BORROWING COSTS

Borrowing costs that are incurred by the Municipality are expensed in the Statement of Financial Performance in the period during which they are incurred, regardless of how the borrowings are applied.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 1.28 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.29 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.30 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.31 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality.

### 1.32 CONTINGENT LIABILITIES AND CONTINGENT ASSETS (CONTINUED)

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 1.33 CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

### 1.34 EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- (a) those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- (b) those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

### 1.35 RELATED PARTIES

The Municipality regards a related party as a person or an entity with the ability to control the Municipality either individually or jointly, or the ability to exercise significant influence over the Municipality, or vice versa.

Management is regarded as a related party and comprises the Councillors, Executive Mayor, Deputy Mayor, Speaker, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

A close family member of management is also considered to be related party. A person is considered to be a close member of the family of another person if they are married or live together in a relationship similar to a marriage or are separated by no more than two degrees of natural or legal consanguinity or affinity.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms, are disclosed.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 1.36 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

#### 1.36.1 Application of Directive 7

For deemed cost applied to Property, Plant and Equipment as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

#### 1.36.2 Impairment of Receivables

The calculation in respect of the impairment of receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

#### 1.36.3 Useful lives and residual values

The useful lives of assets are based on management's estimates. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

The estimated residual values of assets are also based on management's judgement on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

#### 1.36.4 Impairment of non-monetary assets

Non-monetary assets can include, but is not limited to, Property, Plant and Equipment, Investment Property, Intangible assets and Heritage assets.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 1.36 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

The Municipality is not a profit-oriented entity, as its primary objective is service delivery. Tariffs and charges are cost-reflective to ensure continued financial sustainability. No profit element is included in the determination of a tariff. As such, management has determined that the Municipality does not control assets that meet the definition of cash-generating assets and that the Standard of GRAP on Impairment of Non-cash-generating Assets will apply to all assets of the Municipality.

The calculation in respect of the impairment of non-monetary assets is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This calculation will only be performed if there is an indication of an impairment.

#### 1.36.5 Post-Retirement and Long-term Benefits

The cost of post retirement medical obligations and long-service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

#### 1.36.6 Provisions and Contingent Liabilities

Management's judgement is required when recognising and measuring provisions, as well as when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. The discount rate used to calculate the effect of time value of money is linked to the index for earthworks as published by Statistics South Africa.

#### 1.36.7 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. In making the judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in the Standard of GRAP on Financial Instruments.

#### 1.36.8 Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as prescribed in the Standard of GRAP on Revenue from Exchange Transactions and Standard of GRAP on Revenue from Non-Exchange Transactions. Specifically, when goods are sold, whether the significant risks and rewards of ownership of the goods have been transferred to the buyer and when services are rendered, whether the service has been performed.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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### CASH AND CASH EQUIVALENTS

	2017 R	2016 R
Primary Bank Account	24 345 119	14 369 648
Cash Floats	16 350	14 150
<b>Total</b>	<b>24 361 469</b>	<b>14 383 798</b>

Due to the short term nature of cash deposits, all balances included above is in line with their fair value

Cash and Cash Equivalents are held to support the following commitments:

Unspent Conditional Grants	1 570 000	278 750
Unspent Public Contributions	37 262	87 943
Capital Replacement Reserve	20 000 000	13 500 000
VAT Payable	172 130	-
Working Capital Requirements	2 582 077	517 105
<b>Total</b>	<b>24 361 469</b>	<b>14 383 798</b>

### Primary Bank Account

Bredasdorp ABSA - Account number 40 5883 2586

Bank Statement Balance - Opening Balance	12 696 269	2 627 367
Bank Statement Balance - Closing Balance	23 978 447	12 696 269
Cashbook Balance - Opening Balance	14 369 648	2 819 992
Cashbook Balance - Closing Balance	24 345 119	14 369 648

### Other Bank Accounts

Bredasdorp ABSA - Account number 40 6412 1626

The municipality utilises this account for traffic fine deposits. The account is cleared to the Primary Account on a monthly basis. There are no cash book balance nor bank account balance on 30 June 2016 and 30 June 2017.

Guarantees relating to the following entities are held at ABSA:

The Post Office	50 000	50 000
	<b>50 000</b>	<b>50 000</b>

### Call and Notice Deposits

There were no Call and Notice Deposits on 30 June 2016 and 30 June 2017.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 3 RECEIVABLES FROM EXCHANGE TRANSACTIONS

30 JUNE 2017

	Gross Balance R	Allowance for impairment R	Net Receivable R
<b>Service Receivables</b>	<b>28 488 655</b>	<b>10 136 231</b>	<b>18 352 424</b>
Electricity	12 157 014	1 600 964	10 556 050
Water	5 620 494	2 973 301	2 647 193
Refuse	3 102 644	1 836 534	1 266 111
Sewerage	2 238 684	1 405 486	833 198
Other Services	5 369 819	2 319 946	3 049 872
<b>Other Receivables</b>	<b>3 793 174</b>	-	<b>3 793 174</b>
Asset Sales	2 036 336	-	2 036 336
Payments in Advance	1 053 911	-	1 053 911
Other Arrears	702 927	-	702 927
<b>Total</b>	<b>32 281 829</b>	<b>10 136 231</b>	<b>22 145 598</b>

30 JUNE 2016

	Gross Balance R	Allowance for impairment R	Net Receivable R
<b>Service Receivables</b>	<b>26 167 113</b>	<b>9 141 100</b>	<b>17 026 013</b>
Electricity	11 432 383	1 258 425	10 173 959
Water	5 264 298	2 697 342	2 566 957
Refuse	2 537 793	1 381 044	1 156 749
Sewerage	1 908 029	1 135 855	772 174
Other Services	5 024 609	2 668 435	2 356 174
<b>Other Receivables</b>	<b>6 763 179</b>	-	<b>6 763 179</b>
Asset Sales	5 139 570	-	5 139 570
Payments in Advance	957 562	-	957 562
Other Arrears	666 047	-	666 047
<b>Total</b>	<b>32 930 292</b>	<b>9 141 100</b>	<b>23 789 192</b>
Balance previously reported	33 478 459	9 141 100	24 337 359
Prior Period Adjustment - Refer to note 45.01	(548 167)	-	(548 167)
<b>Restated balance on 30 June 2016</b>	<b>32 930 292</b>	<b>9 141 100</b>	<b>23 789 192</b>

Included in the outstanding balances are consumer debtors to the value of R 1 401 881 (2016 - R 943 599), who have made arrangements to repay their outstanding debt over a re-negotiated period.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 3 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)

The carrying value of receivables are in line with their fair value. A credit period of 30 days are granted on initial recognition of the receivable, which is considered to be in line with industry norms. Interest at prime rate + 1% is charged on overdue accounts.

	2017 R	2016 R
<b>Ageing of service receivables:</b>		
<b>Electricity Ageing</b>		
Current (0 - 30 days)	9 455 987	9 331 588
Past Due (31 - 60 Days)	910 150	758 596
Past Due (61 - 90 Days)	338 072	267 879
Past Due (90 Days +)	1 452 804	1 074 319
<b>Total</b>	<b>12 157 014</b>	<b>11 432 383</b>
<b>Water Ageing</b>		
Current (0 - 30 days)	2 232 585	2 177 480
Past Due (31 - 60 Days)	446 317	404 805
Past Due (61 - 90 Days)	255 692	241 283
Past Due (90 Days +)	2 685 899	2 440 730
<b>Total</b>	<b>5 620 494</b>	<b>5 264 298</b>
<b>Refuse Ageing</b>		
Current (0 - 30 days)	1 002 822	920 138
Past Due (31 - 60 Days)	271 264	252 853
Past Due (61 - 90 Days)	149 713	127 095
Past Due (90 Days +)	1 678 846	1 237 707
<b>Total</b>	<b>3 102 644</b>	<b>2 537 793</b>
<b>Sewerage Ageing</b>		
Current (0 - 30 days)	642 586	599 283
Past Due (31 - 60 Days)	206 216	194 109
Past Due (61 - 90 Days)	110 101	102 428
Past Due (90 Days +)	1 279 781	1 012 209
<b>Total</b>	<b>2 238 684</b>	<b>1 908 029</b>
<b>Other Services Ageing</b>		
Current (0 - 30 days)	2 417 332	2 033 582
Past Due (31 - 60 Days)	399 372	395 741
Past Due (61 - 90 Days)	622 101	208 451
Past Due (90 Days +)	1 931 014	2 386 835
<b>Total</b>	<b>5 369 819</b>	<b>5 024 609</b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 3 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)

	2017 R	2016 R
<b>Total Service Receivables Ageing</b>		
Current (0 - 30 days)	15 751 312	15 062 072
Past Due (31 - 60 Days)	2 233 319	2 006 104
Past Due (61 - 90 Days)	1 475 679	947 137
Past Due (90 Days +)	9 028 345	8 151 800
<b>Total</b>	<b>28 488 655</b>	<b>26 167 113</b>

### Ageing per Customer Classification - 30 June 2017

	Consumers R	Industrial/ Commercial R	National and Provincial Government R
Current (0 - 30 days)	10 477 793	5 226 563	46 956
Past Due (31 - 60 Days)	1 937 151	287 008	9 160
Past Due (61 - 90 Days)	966 563	503 951	5 165
Past Due (90 Days +)	8 520 122	422 591	85 632
<b>Sub-Total</b>	<b>21 901 629</b>	<b>6 440 112</b>	<b>146 914</b>
Less Allowance for Impairment	(9 599 899)	(455 831)	(80 501)
<b>Total</b>	<b>12 301 730</b>	<b>5 984 282</b>	<b>66 412</b>

### Ageing per Customer Classification - 30 June 2016

	Consumers R	Industrial/ Commercial R	National and Provincial Government R
Current (0 - 30 days)	9 831 826	5 118 084	112 162
Past Due (31 - 60 Days)	1 797 281	205 720	3 104
Past Due (61 - 90 Days)	809 331	134 690	3 116
Past Due (90 Days +)	7 819 949	282 635	49 215
<b>Sub-Total</b>	<b>20 258 388</b>	<b>5 741 129</b>	<b>167 597</b>
Less Allowance for Impairment	(8 728 589)	(361 274)	(51 238)
<b>Total</b>	<b>11 529 799</b>	<b>5 379 855</b>	<b>116 359</b>

Included in Consumers are indigent balances amounting to R 2 605 445 (2016 - R 1 726 670). These balances were fully impaired.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 3 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)

	2017 R	2016 R
<b>Reconciliation of Allowance for impairment</b>		
Balance at the beginning of the year	9 141 100	6 953 794
Contribution to the provision	4 913 913	3 697 267
Electricity	790 501	385 351
Water	1 401 970	897 433
Refuse	964 693	791 245
Sewerage	673 063	585 107
Other Services	1 083 686	1 038 131
Bad Debts Written off	(3 918 782)	(1 509 961)
Electricity	(447 961)	(147 163)
Water	(1 126 011)	(511 403)
Refuse	(509 203)	(170 942)
Sewerage	(403 432)	(147 212)
Other Services	(1 432 174)	(533 240)
<b>Balance at the end of the year</b>	<b>10 136 231</b>	<b>9 141 100</b>

The Allowance for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. The risk of non-payment is further mitigated due to the large customer base over which the outstanding receivable balance is spread.

### 4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

**30 JUNE 2017**

	Gross Balance R	Allowance for impairment R	Net Receivable R
<b>Service Receivables</b>	<b>7 972 196</b>	<b>4 296 719</b>	<b>3 675 477</b>
Rates	7 972 196	4 296 719	3 675 477
<b>Other Receivables</b>	<b>16 623 113</b>	<b>5 986 505</b>	<b>10 636 608</b>
Unpaid Fines	7 613 700	5 986 505	1 627 195
Government Grants	420 934	-	420 934
Department of Housing	8 572 180	-	8 572 180
Sundry Deposits	16 300	-	16 300
<b>Total</b>	<b>24 595 309</b>	<b>10 283 224</b>	<b>14 312 085</b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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### RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUED)

30 JUNE 2016

	Gross Balance R	Allowance for impairment R	Net Receivable R
<b>Service Receivables</b>	<b>6 167 613</b>	<b>3 683 456</b>	<b>2 484 157</b>
Rates	6 167 613	3 683 456	2 484 157
<b>Other Receivables</b>	<b>8 140 281</b>	<b>5 888 007</b>	<b>2 252 274</b>
Unpaid Fines	8 123 981	5 888 007	2 235 974
Sundry Deposits	16 300	-	16 300
<b>Total</b>	<b>14 307 894</b>	<b>9 571 463</b>	<b>4 736 431</b>

The carrying value of receivables are in line with their fair value. A credit period of 30 days are granted on initial recognition of the receivable, which is considered to be in line with industry norms. Interest at prime rate + 1% is charged on overdue accounts.

	2017 R	2016 R
<b>Ageing of service receivables:</b>		
<b>Rates Ageing</b>		
Current (0 - 30 days)	2 343 440	2 018 685
Past Due (31 - 60 Days)	419 614	387 404
Past Due (61 - 90 Days)	208 489	186 228
Past Due (90 Days +)	5 000 653	3 575 296
<b>Total</b>	<b>7 972 196</b>	<b>6 167 613</b>

### Ageing per Customer Classification - 30 June 2017

	Consumers R	Industrial/ Commercial R	National and Provincial Government R
Current (0 - 30 days)	2 270 176	72 747	518
Past Due (31 - 60 Days)	400 978	18 636	-
Past Due (61 - 90 Days)	193 667	13 092	1 730
Past Due (90 Days +)	4 007 587	197 162	795 903
<b>Sub-Total</b>	<b>6 872 408</b>	<b>301 637</b>	<b>798 151</b>
Less Allowance for Impairment	(3 312 033)	(188 693)	(795 993)
<b>Total</b>	<b>3 560 375</b>	<b>112 944</b>	<b>2 158</b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

4

### RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUED)

#### Ageing per Customer Classification - 30 June 2016

	Consumers	Industrial/ Commercial	National and Provincial Government
	R	R	R
Current (0 - 30 days)	1 950 140	68 070	475
Past Due (31 - 60 Days)	370 842	16 562	-
Past Due (61 - 90 Days)	173 995	12 076	157
Past Due (90 Days +)	2 757 981	122 955	694 360
<b>Sub-Total</b>	<b>5 252 957</b>	<b>219 664</b>	<b>694 992</b>
Less Allowance for Impairment	(2 869 733)	(119 346)	(694 377)
<b>Total</b>	<b>2 383 224</b>	<b>100 318</b>	<b>615</b>

Included in Consumers are indigent balances amounting to R 349 900 (2016 - R 303 791). These balances were fully impaired.

#### Department of Housing

The municipality performs certain activities on behalf of the department of housing in order to execute their housing mandate. These activities, which mainly relates to the channelling of funds from the department to the housing contractors through the municipality's bank account, are performed an agency-principle basis. The following funds were channelled through the municipality during the period under review:

Opening Balance	-	-
Funds received	3 540 036	6 668 615
Expenditure incurred	(12 112 216)	(6 668 615)
<b>Balance to be recovered</b>	<b>(8 572 180)</b>	<b>-</b>

#### Reconciliation of Allowance for impairment

Balance at the beginning of the year	9 571 463	5 000 493
Contribution to the provision	5 892 062	4 730 488
Rates	1 009 233	1 061 527
Fines	4 882 829	3 668 962
Bad Debts Written off	(5 180 301)	(159 519)
Rates	(395 970)	(159 519)
Fines	(4 784 331)	-
<b>Balance at the end of the year</b>	<b>10 283 224</b>	<b>9 571 463</b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

	2017	2016
	R	R

### 4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUED)

The Allowance for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. The risk of non-payment is further mitigated due to the large customer base over which the outstanding receivable balance is spread.

### 5 OPERATING LEASES

#### 5.1 OPERATING LEASE ASSETS

Operating Lease Asset	140 757	108 964
Balance Previously reported	63 532	45 431
Prior Period Adjustment - Refer to note 45.02		

The operating lease asset is derived from contracts where the municipality acts as the lessor in the agreement.

Reconciliation of Operating Lease Asset:

Balance at the beginning of the year	108 964	71 746
Movement during the year	31 793	37 218
Balance at the end of the year	<b>140 757</b>	<b>108 964</b>

The municipality will receive the following lease payments from contracts that have defined lease payments and terms.

Within 1 Year	421 587	479 810
Between 1 and 5 Years	1 133 428	1 307 573
After 5 Years	741 694	989 137
	<b>2 296 710</b>	<b>2 776 520</b>

The lease payments are in respect of properties being lease out over a period ranging up to 2026.

#### 5.2 OPERATING LEASE LIABILITIES

Operating Lease Liability	11 812	26 410
	<b>11 812</b>	<b>26 410</b>

The operating lease liability is derived from contracts where the municipality acts as the lessee in the agreement.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 5 OPERATING LEASES (CONTINUED)

Reconciliation of Operating Lease Liability:

	2017 R	2016 R
Balance at the beginning of the year	26 410	16 067
Movement during the year	(14 598)	10 343
Balance at the end of the year	<b>11 813</b>	<b>26 410</b>

The municipality will incur the following lease expenditure from contracts that have defined lease payments and terms.

Within 1 Year	173 344	385 879
Between 1 and 5 Years	-	173 344
	<b>173 344</b>	<b>559 222</b>

The operating lease liability relates to the following lease arrangements:

Nedbank Building - The Municipality entered into a lease agreement to obtain additional office space. The lease agreement commenced on 16 January 2015 and will run up to 31 December 2017. The initial monthly rental is R 28 500 (VAT inclusive) and the lease is subject to an annual increase of 7.5%. The municipality has the option to renew the lease after 31 December 2017.

Rothman Building - The Municipality entered into a lease agreement to obtain additional office space. The lease agreement commenced on 1 March 2014 and will run up to 28 February 2017. The initial monthly rental is R 7 345 (VAT inclusive) and the lease is subject to an annual increase of 6.5%.

### 6 LONG-TERM RECEIVABLES

Individual Housing Loans	227 152	254 249
<b>Sub-Total</b>	<b>227 152</b>	<b>254 249</b>
Less: Current portion of Long-term Receivables	31 117	27 208
Individual Housing Loans	31 117	27 208
<b>Total</b>	<b>196 035</b>	<b>227 042</b>

#### Individual Housing Loans

The loans was granted to facilitate housing schemes in the municipal area.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

	2017 R	2016 R
<b>7 INVENTORY</b>		
Consumables	1 290 023	1 437 695
Water	36 444	40 670
<b>Total</b>	<b>1 326 467</b>	<b>1 478 364</b>
Inventory are disclosed at the lower of cost or net realisable value.		
No inventory were pledged as security for liabilities.		
No Inventory losses or surpluses were identified during the annual stores counts.		
Inventory recognised as an expense during the year.	2 692 870	2 206 313
<b>8 INVESTMENT PROPERTY</b>		
Investment Property - Carrying Value	<b>40 870 029</b>	<b>40 886 559</b>
The movement in investment properties is reconciled as follows:		
<b>Opening Carrying Value</b>	<b>40 886 559</b>	<b>40 749 756</b>
Cost	41 006 133	40 860 800
Accumulated Depreciation	(119 574)	(111 044)
Additions	-	320 000
Depreciation for the year	(8 530)	(8 530)
Disposals	(8 000)	(174 667)
<b>Closing Carrying Value</b>	<b>40 870 029</b>	<b>40 886 559</b>
Cost	40 998 133	41 006 133
Accumulated Depreciation	(128 104)	(119 574)
<b>Balance Previously Reported</b>		<b>40 247 559</b>
Prior Period Adjustment - Refer to note 45.03		639 000
<b>Restated Balance on 30 June 2016</b>		<b>40 886 559</b>

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 9 PROPERTY PLANT AND EQUIPMENT

30 JUNE 2017

	Land and Buildings R	Infrastructure R	Community Assets R	Leased Assets R	Other Assets R	Total R
<b>Opening Carrying Value</b>	<b>73 635 653</b>	<b>196 223 594</b>	<b>21 411 846</b>	<b>936 738</b>	<b>20 478 395</b>	<b>312 686 226</b>
Cost	84 035 635	249 535 485	23 909 346	1 192 011	32 849 854	391 522 332
Accumulated Depreciation	(10 399 983)	(53 311 890)	(2 497 500)	(255 273)	(12 371 459)	(78 836 106)
Additions	723 861	15 567 444	2 163 692	-	2 774 907	21 229 904
Depreciation for the year	(270 011)	(6 662 120)	(315 226)	(193 660)	(2 121 783)	(9 562 799)
Disposals	(82 114)	(327 559)	-	-	(279 119)	(688 792)
Cost	(105 000)	(520 354)	-	-	(593 112)	(1 218 466)
Accumulated Depreciation	22 886	192 795	-	-	313 993	529 674
<b>Closing Carrying Value</b>	<b>74 007 389</b>	<b>204 801 360</b>	<b>23 260 313</b>	<b>743 078</b>	<b>20 852 400</b>	<b>323 664 539</b>
Cost	84 654 496	264 582 575	26 073 038	1 192 011	35 031 649	411 533 770
Accumulated Depreciation	(10 647 108)	(59 781 215)	(2 812 725)	(448 933)	(14 179 249)	(87 869 231)
<b>Work In Progress</b>	<b>-</b>	<b>9 535 562</b>	<b>140 400</b>	<b>-</b>	<b>-</b>	<b>9 675 962</b>

Work In Progress is included in carrying value of property plant and equipment.

No Depreciation charge is recognised against these amounts.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 9 PROPERTY PLANT AND EQUIPMENT (CONTINUED)

30 JUNE 2016



	Land and Buildings R	Infrastructure R	Community Assets R	Leased Assets R	Other Assets R	Total R
<b>Opening Carrying Value</b>	<b>74 033 722</b>	<b>191 441 492</b>	<b>15 935 887</b>	<b>1 006 724</b>	<b>19 745 410</b>	<b>302 163 235</b>
Cost	84 164 632	238 377 202	18 153 513	1 096 561	30 575 061	372 366 969
Accumulated Depreciation	(10 130 910)	(46 935 710)	(2 217 626)	(89 837)	(10 829 651)	(70 203 733)
Additions	757 004	11 206 103	5 758 204	144 800	3 050 878	20 916 990
Depreciation for the year	(429 307)	(6 396 170)	(280 510)	(213 596)	(1 908 351)	(9 227 934)
Disposals	(725 766)	(27 832)	(1 735)	(1 190)	(409 542)	(1 166 065)
Cost	(886 000)	(47 821)	(2 372)	(49 349)	(776 085)	(1 761 627)
Accumulated Depreciation	160 234	19 989	637	48 159	366 543	595 562
<b>Closing Carrying Value</b>	<b>73 635 653</b>	<b>196 223 594</b>	<b>21 411 846</b>	<b>936 738</b>	<b>20 478 395</b>	<b>312 686 226</b>
Cost	84 035 635	249 535 485	23 909 346	1 192 011	32 849 854	391 522 332
Accumulated Depreciation	(10 399 983)	(53 311 890)	(2 497 500)	(255 273)	(12 371 459)	(78 836 106)
<b>Work In Progress</b>	<b>-</b>	<b>6 546 615</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6 546 615</b>
<b>Balance Previously Reported</b>	<b>73 242 388</b>	<b>196 198 312</b>	<b>21 335 111</b>	<b>936 738</b>	<b>20 977 765</b>	<b>312 690 314</b>
Prior Period Adjustment - Refer to note 45.04	393 265	25 282	76 735	-	(499 370)	(4 088)
<b>Restated Balance on 30 June 2016</b>	<b>73 635 653</b>	<b>196 223 594</b>	<b>21 411 846</b>	<b>936 738</b>	<b>20 478 395</b>	<b>312 686 226</b>

Work In Progress is included in carrying value of property plant and equipment.

No Depreciation charge is recognised against these amounts.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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### INTANGIBLE ASSETS

	2017 R	2016 R
Intangible Assets - Carrying Value	3 572 415	890 502
Balance Previously Reported		882 653
Correction of Error - Refer to note 45.05		7 850

The movement in intangible assets is reconciled as follows:

<b>Opening Carrying Value</b>	<b>890 502</b>	<b>1 125 338</b>
Cost	1 542 652	1 492 652
Accumulated Amortisation	(652 150)	(367 314)
Additions	3 000 995	50 000
Disposals	-	-
Cost	(52 920)	-
Accumulated Depreciation	52 920	-
Amortisation for the year	(319 083)	(284 835)
<b>Closing Carrying Value</b>	<b>3 572 415</b>	<b>890 502</b>
Cost	4 490 727	1 542 652
Accumulated Amortisation	(918 312)	(652 150)
<b>Work in Progress</b>	<b>2 019 167</b>	-

Work In Progress is included in carrying value of intangible assets. No Amortisation charge is recognised against these amounts.

The work in progress balance only relates to the Phoenix (Vesta) Financial System in process of being implemented at the municipality at year-end. This implementation is required to ensure compliance with new mSCOA regulations coming into effect on 1 July 2017.

Intangible Assets consist only out of software

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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### INTANGIBLE ASSETS (CONTINUED)

The only contractual commitments for the acquisition of intangible assets is the additional cost for the procurement of comprehensive asset register whereby not all the functionality be covered in terms of the National Treasury Transversal RT25 tender with the procurement of the new Vesta - Phoenix financial system.

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### CAPITALISED RESTORATION COST (PPE)

	2017	2016
	R	R
Capitalised Restoration Cost - Carrying Value	<b>47 588 121</b>	<b>48 676 251</b>

The movement in capitalised restoration cost is reconciled as follows:

Opening Carrying Value	48 676 251	53 055 616
Cost	54 280 815	57 461 353
Accumulated Depreciation	(2 416 932)	(1 214 570)
Accumulated Impairments	(3 187 632)	(3 191 167)
Additions	48 734	-
Disposals	(7 720)	(3 180 539)
Depreciation for the year	(1 129 143)	(1 202 362)
Reversal of Impairments for the year	-	3 535
Closing Carrying Value	<b>47 588 121</b>	<b>48 676 251</b>
Cost	54 321 828	54 280 815
Accumulated Depreciation	(3 546 075)	(2 416 932)
Accumulated Impairments	(3 187 632)	(3 187 632)

The municipality is required by relevant Environmental Legislation to rehabilitate landfill sites at the closure date of each respective site. The "Capitalised Restoration Cost" asset, which is capitalised in line with the requirements of GRAP 17 and iGRAP 2, relates to the initial estimate of costs involved to restore landfill sites under control of the Cape Agulhas Municipality.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 12 CAPITALISED RESTORATION COST (PPE) (CONTINUED)

Although this item is accounted for under the Property Plant and Equipment Standard (GRAP 17), the characteristics and nature of this item does not resemble that of normal PPE (such as the tangible nature of assets normally associated with PPE). Based on the aforementioned and in line with the requirements of GRAP 1, Capitalised Restoration Cost is disclosed as a separate item on the face of the Statement of Financial Position.

Refer to note 23 for more detail relating to this asset financed by way of a provision

	2017 R	2016 R
<b>13 LONG-TERM LIABILITIES</b>		
Annuity Loans	2 351 106	2 642 522
Finance Lease Liabilities	345 138	730 695
<b>Sub-Total</b>	<b>2 696 243</b>	<b>3 373 217</b>
Less: Current portion of Long-term Liabilities	684 389	869 577
Annuity Loans	339 251	484 019
Finance Lease Liabilities	345 138	385 557
<b>Total</b>	<b>2 011 854</b>	<b>2 503 641</b>

Long Term Liabilities were fully utilised to purchase property plant and equipment. No loans were unspent and no cash were set aside to finance future instalments.

The municipality opted to finance assets from external funding during the current and previous financial year. Detail are as follows:

Assets purchased	2 620 035	2 573 190
Annuity Loans Raised	(220 035)	(2 428 390)
Finance Lease Liabilities Raised	-	(144 800)
<b>Outstanding Financing</b>	<b>2 400 000</b>	-

The total outstanding financing relates to an ABSA loan only received by the municipality during July 2017. All material aspects of the agreement were already reached before year-end, with only minor outstanding administrative matters between ABSA and the municipality resulting in funds being transferred subsequent to year-end.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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### LONG-TERM LIABILITIES (CONTINUED)

#### Annuity Loans

Annuity Loans, disclosed at amortised cost, consist out of the following agreements:

	2017 R	2016 R
Development Bank of South Africa (DBSA)	-	214 132
The loan balance consist out of one agreement. Interest is calculated at 15.00% and the loan was be fully redeemed on 30 June 2017.		
Amalgamated Banks of South Africa (ABSA)	2 351 106	2 428 390
Interest is calculated at 10.60% interest rate. The infrastructure loan will be fully redeemed on 30 June 2026 whilst the loans for vehicles and machinery will be fully redeemed on 30 June 2021 . Annuity loans consist out of four loan agreements		
	<b>2 351 106</b>	<b>2 642 522</b>

Further detail relating to Annuity Loans is included in Appendix A.

Annuity loans are payable as follows:

Payable within one year	580 658	758 856
Payable within two to five years	2 142 751	2 081 304
Payable after five years	601 168	987 637
<b>Total amount payable</b>	<b>3 324 576</b>	<b>3 827 797</b>
<b>Less:</b> Outstanding Future Finance Charges	<b>(973 471)</b>	<b>(1 185 275)</b>
<b>Present value of annuity loans</b>	<b>2 351 106</b>	<b>2 642 522</b>

#### Finance Lease Liabilities

Finance Lease Liabilities, disclosed at amortised cost, consist out of the following agreements:

Nr	Institution	Interest Rate	Redemption Date
1	Nashua (1 Copier - 36 Months) Nashua (31 Copiers (2015 - 28 Copiers) - 36 Months)	9.00%	2017-02-28
2		9.37%	2018-05-31

All lease agreements have no escalation clause over the respective periods. After the lease agreement expires, lease payments will continue on a month to month basis until the contract is renewed or cancelled. Equipment will be returned to the supplier at the end of the lease term when the contract is cancelled.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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### LONG-TERM LIABILITIES (CONTINUED)

Assets and liabilities associated with finance lease contracts:

Nr	Carrying Value of Asset		Carrying Value of Liability	
	2017		2016	
	R	R	R	R
1	111 772	128 533	-	41 236
2	631 306	808 205	345 138	689 459
	<b>743 078</b>	<b>936 738</b>	<b>345 138</b>	<b>730 695</b>

The carrying value of assets, which are pledged as security for outstanding liabilities, are included in the property, plant and equipment carrying value in note 9.

	2017	2016
	R	R
Finance Lease Liabilities are payable as follows:		
Payable within one year	361 515	437 020
Payable within two to five years	-	361 515
<b>Total amount payable</b>	<b>361 515</b>	<b>798 535</b>
<u>Less:</u> Outstanding Future Finance Charges	(16 377)	(67 840)
<b>Present value of finance lease liabilities</b>	<b>345 138</b>	<b>730 695</b>

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### CONSUMER DEPOSITS

Electricity	2 669 476	2 481 745
Water	1 621 273	1 526 337
<b>Total</b>	<b>4 290 749</b>	<b>4 008 082</b>
Guarantees held in lieu of Electricity and Water Deposits (2016 Restated)	<b>172 000</b>	<b>172 000</b>

The carrying value of consumer deposits are in line with its fair value. Outstanding balances does not attract any interest.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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### PAYABLES FROM EXCHANGE TRANSACTIONS

	2017 R	2016 R
Trade Payables	27 355 359	6 035 591
Balance Previously Reported		2 305 725
Prior Period Adjustment - Refer to note 45.06		3 729 866
Retentions	1 219 478	1 005 490
Pre-Paid Electricity	250 011	219 216
Debtors with credit balances	1 367 313	1 260 512
Sundry Creditors	709 996	581 900
Sundry Deposits	577 703	495 237
<b>Total</b>	<b>31 479 859</b>	<b>9 597 946</b>

Payables are being recognised net of any discounts received

As prescribed by the MFMA, all payables are payable within 30 days. This credit period granted is considered to be in line with industry norms. The carrying value of payables are in line with its fair value.

Payables are not secured.

Sundry deposits include Hall, Builders and Housing Deposits.

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### UNSPENT CONDITIONAL GOVERNMENT GRANTS

National Government	147 990	130 760
Provincial Government	1 422 010	147 990
<b>Total</b>	<b>1 570 000</b>	<b>278 750</b>

Detail reconciliations of all grants received and grant conditions met are included in note 26. Unspent grant balances are recognised to the extent that conditions are not yet met.

No grants were withheld in the current year.

Due to the short term nature of unspent grant balances, the carrying value approximates the fair value of the unspent conditional grants at year-end.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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### UNSPENT PUBLIC CONTRIBUTIONS

	2017 R	2016 R
Mayoral Golf Day	37 262	30 585
Balance Previously Reported		59 670
Correction of Error - Refer to note 45.07		(29 085)
Marine Drive Cables	-	57 358
<b>Total</b>	<b>37 262</b>	<b>87 943</b>

Detail reconciliations of all public contributions received are included in note 27. Unspent public contribution balances are recognised to the extent that conditions of the contribution are not yet met.

Due to the short term nature of unspent public contributions, the carrying value approximates the fair value of the unspent public contribution at year-end.

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### TAXES

Vat Payable	2 573 431	2 475 367
Vat Receivable	(2 531 698)	(1 144 954)
<b>Total</b>	<b>41 734</b>	<b>1 330 413</b>

VAT is accounted for on the payment basis.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies

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### CURRENT EMPLOYEE BENEFITS

Post Retirement Medical Benefits	1 167 381	981 048
Long Service Awards	567 910	634 521
Performance Bonuses	664 712	688 810
Bonuses	2 816 631	2 478 310
Staff Leave	5 566 530	5 225 450
<b>Total</b>	<b>10 783 164</b>	<b>10 008 140</b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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### CURRENT EMPLOYEE BENEFITS (CONTINUED)

The movement in current employee benefits are reconciled as follows:

#### Performance Bonuses

	2017 R	2016 R
Opening Balance	688 810	547 618
Contribution during the year	602 988	784 941
Payments made	(627 086)	(643 748)
<b>Opening Balance</b>	<b>664 712</b>	<b>688 810</b>

Performance bonuses are being paid to the Municipal Manager and Directors after an evaluation of performance by the council. There is no possibility of reimbursement.

#### Bonuses

Opening Balance	2 478 310	1 904 720
Contribution during the year	5 017 071	4 210 819
Payments made	(4 678 750)	(3 637 229)
<b>Opening Balance</b>	<b>2 816 631</b>	<b>2 478 310</b>

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

#### Staff Leave

Opening Balance	5 225 450	4 097 335
Contribution during the year	1 302 914	1 415 177
Payments made	(961 834)	(287 062)
<b>Opening Balance</b>	<b>5 566 530</b>	<b>5 225 450</b>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or in the event of encashment. There is no possibility of reimbursement.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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### EMPLOYEE BENEFITS

	2017 R	2016 R
Post Retirement Medical Benefits	45 375 173	44 244 031
Long Service Awards	7 302 571	6 995 996
<b>Sub-Total</b>	<b>52 677 744</b>	<b>51 240 027</b>
Less: Current portion of Employee Benefits	1 735 291	1 615 569
Post Retirement Medical Benefits	1 167 381	981 048
Long Service Awards	567 910	634 521
<b>Total</b>	<b>50 942 453</b>	<b>49 624 458</b>

#### 22.1 Post Retirement Medical Benefits

The movement in Post Retirement Medical Benefits are reconciled as follows:

	2017	2016
<b>Opening Balance</b>	<b>44 244 031</b>	<b>38 146 819</b>
Contribution during the year	6 699 008	5 449 952
Current Service Cost	2 402 556	2 073 591
Interest Cost	4 296 452	3 376 361
Payments made	(938 637)	(748 314)
Actuarial (Gain)/Loss	(4 629 229)	1 395 574
<b>Total balance at year-end</b>	<b>45 375 173</b>	<b>44 244 031</b>
Less Current Portion	1 167 381	981 048
<b>Total</b>	<b>44 207 792</b>	<b>43 262 983</b>

The Post Retirement Medical Benefit Plan is a defined benefit plan, of which the members are made up as follows:

	2017	2016
In-service members	114	115
In-service non-members	234	230
Continuation members	25	24
<b>Total</b>	<b>373</b>	<b>369</b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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### EMPLOYEE BENEFITS (CONTINUED)

The liability in respect of past service has been estimated to be as follows:

	2017 R	2016 R
In-service members	29 634 993	29 245 620
Continuation members	15 740 180	14 998 411
<b>Total Unfunded Liability</b>	<b>45 375 173</b>	<b>44 244 031</b>

The liability in respect of past service has been estimated to be as follows for years prior to the comparative year:

	2015 R	2014 R	2013 R
In-service members	24 900 937	20 294 416	16 097 224
Continuation members	13 245 882	12 342 532	11 167 480
<b>Total Unfunded Liability</b>	<b>38 146 819</b>	<b>32 636 948</b>	<b>27 264 704</b>

Experience adjustments were calculated as follows:

	2017 R m	2016 R m
Liabilities: (Gain)/Loss	(0.130)	2.923
Assets: Gain/(Loss)	-	-

Experience adjustments were calculated as follows in years prior to the comparative year:

	2015 R m	2014 R m	2013 R m
Liabilities: (Gain)/Loss	1.761	(0.085)	0.878
Assets: Gain/(Loss)	-	-	-

The municipality contributes to the following medical schemes on a monthly basis:

Bonitas  
LA Health  
Hosmed  
Samwumed  
Keyhealth

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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### EMPLOYEE BENEFITS (CONTINUED)

Key Actuarial Assumptions used are as follows:

	2017	2016
<b>Interest Rates</b>		
Discount rate	9.48%	9.82%
Health Care Cost Inflation Rate	7.89%	8.75%
Net Effective Discount Rate	1.47%	0.98%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

### Mortality Rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

### Normal Retirement Age

It has been assumed that in-service members will retire at age 65, which then implicitly allows for expected rates of early and ill-health retirement.

### Last Valuation

The last valuation was performed on 13 June 2017.

### Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

### Sensitivity Analysis - Liability at year-end



Assumption	In-service members R m	Continuation members R m	Total liability R m	% change
Liability	29.635	15.740	45.375	
Health care inflation				
+ 1%	37.150	17.336	54.486	20%
- 1%	23.804	14.355	38.159	-16%
Discount rate				
+ 1%	23.924	14.386	38.310	-16%
- 1%	37.104	17.327	54.431	20%
Post-retirement mortality				
- 1 year	30.693	16.337	47.030	4%
Average retirement age				
- 1 year	32.557	15.740	48.298	6%
Continuation of membership at retirement				
- 10%	26.233	15.740	41.973	-7%

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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### EMPLOYEE BENEFITS (CONTINUED)

#### Sensitivity Analysis - Future Service and Interest Cost (Next Financial Year)

Assumption	Current Service		Total Cost R m	% change
	Cost R m	Interest Cost R m		
Future Cost	2.513	4.246	6.758	
Health care inflation				
+ 1%	3.194	5.109	8.303	23%
- 1%	1.991	3.562	5.553	-18%
Discount rate				
+ 1%	2.020	3.954	5.973	-12%
- 1%	3.161	4.565	7.726	14%
Post-retirement mortality				
- 1 year	2.602	4.402	7.005	4%
Average retirement age				
- 1 year	2.752	4.522	7.275	8%
Continuation of membership at retirement				
- 10%	2.226	3.923	6.149	-9%

#### 22.2 Long Service Awards

The movement in Long Service Awards are reconciled as follows:

<b>Opening Balance</b>	<b>6 995 996</b>	<b>5 819 691</b>
Contribution during the year	1 174 311	913 494
Current Service Cost	561 403	460 270
Interest Cost	612 908	453 224
Payments made	(307 457)	(562 989)
Actuarial (Gain)/Loss	(560 279)	825 800
<b>Total balance at year-end</b>	<b>7 302 571</b>	<b>6 995 996</b>
Less Current Portion	567 910	634 521
<b>Total</b>	<b>6 734 661</b>	<b>6 361 475</b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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### EMPLOYEE BENEFITS (CONTINUED)

The following members are eligible for long service bonuses:

	2017	2016
In-service members	<u>348</u>	<u>345</u>

The liability in respect of past service has been estimated to be as follows:

	2017	2016
	R	R
In-service members	<u>7 302 571</u>	<u>6 995 996</u>
<b>Total Unfunded Liability</b>	<b><u>7 302 571</u></b>	<b><u>6 995 996</u></b>

The liability in respect of past service has been estimated to be as follows for years prior to the comparative year:

	2015	2014	2013
	R	R	R
In-service members	<u>5 819 691</u>	<u>5 013 580</u>	<u>4 074 905</u>
<b>Total Unfunded Liability</b>	<b><u>5 819 691</u></b>	<b><u>5 013 580</u></b>	<b><u>4 074 905</u></b>

Experience adjustments were calculated as follows:

	2017	2016
	R	R
Liabilities: (Gain)/Loss	244 031	892 912
Assets: Gain/(Loss)	-	-

Experience adjustments were calculated as follows in years prior to the comparative year:

	2015	2014	2013
	R	R	R
Liabilities: (Gain)/Loss	335 973	624 617	116 176
Assets: Gain/(Loss)	-	-	-

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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### EMPLOYEE BENEFITS (CONTINUED)

2017

2016

Key Actuarial Assumptions used are as follows:

#### Interest Rates

Discount rate	8.36%	9.17%
General Salary Inflation (long-term)	6.27%	7.97%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	1.96%	1.11%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

#### Last Valuation

The last valuation was performed on 13 June 2017.

#### Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

#### Sensitivity Analysis - Liability at year-end

Assumption	Total liability R m	% change
Liability	7.303	
General salary inflation		
+ 1%	7.875	8%
- 1%	6.790	-7%
Discount rate		
+ 1%	6.773	-7%
- 1%	7.906	8%
Average retirement age		
- 2 years	6.337	-13%
+ 2 years	8.015	10%
Withdrawal rates		
- 50 %	8.595	18%

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

22

### EMPLOYEE BENEFITS (CONTINUED)

#### Sensitivity Analysis - Future Service and Interest Cost (Next Financial Year)

Assumption	Current Service		Total Cost	% change
	Cost R	Interest Cost R		
Future Cost	568 700	587 000	1 155 700	
General salary inflation				
+ 1%	622 100	634 800	1 256 900	9%
- 1%	521 700	544 300	1 066 000	-8%
Discount rate				
+ 1%	525 400	607 800	1 133 200	-2%
- 1%	618 700	561 100	1 179 800	2%
Average retirement age				
- 2 years	504 300	506 300	1 010 600	-13%
+ 2 years	623 500	646 500	1 270 000	10%
Withdrawal rates				
- 50 %	730 200	695 000	1 425 200	23%

#### 22.3 Other Pension Benefits

Defined Benefit Plans	2017 R	2016 R
<b>Council contributes to the following defined benefit plans:</b>		
LA Retirement Fund (former Cape Joint Pension Fund)	469 727	232 033
The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2016 revealed that the fund is in an sound financial position with a funding level of 103.5% (30 June 2015 - 101.4%).		
Consolidated Retirement Fund (former Cape Retirement Fund)	10 104 612	8 929 418
The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2016 revealed that the fund is in a sound financial position with a funding level of 118.0% (30 June 2015 - 112.1%).		
<b>Total</b>	<b>10 574 339</b>	<b>9 161 451</b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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### EMPLOYEE BENEFITS (CONTINUED)

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund and Cape Joint Pension Fund are Multi Employer funds defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

	2017	2016
<b>Defined Contribution Plans</b>	<b>R</b>	<b>R</b>
Council contributes to the following defined contribution plans:		
Municipal Councillors Pension Fund	181 446	269 593
SAMWU National Provident Fund	1 066 301	1 003 289
<b>Total</b>	<b>1 247 747</b>	<b>1 272 881</b>

The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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### NON-CURRENT PROVISIONS

	2017 R	2016 R
Rehabilitation Provision - Landfill Sites	<b>66 297 464</b>	<b>62 220 661</b>

The movement in Rehabilitation Provision - Landfill Sites are reconciled as follows:

	2017	2016
<b>Opening Balance</b>	<b>62 220 661</b>	<b>61 749 125</b>
Contribution during the year	4 076 803	471 536
Increase/(Decrease) in estimate	32 460	(3 193 655)
Interest Cost	4 044 343	3 665 191
<b>Total balance at year-end</b>	<b>66 297 464</b>	<b>62 220 661</b>
Less Current Portion	-	-
<b>Total</b>	<b>66 297 464</b>	<b>62 220 661</b>
Balance previously reported		58 361 946
Prior Period Adjustment - Refer to note 45.09		3 858 715
<b>Restated Balance on 30 June 2016</b>		<b>62 220 661</b>

The total obligation at year-end can be attributed to the following sites:

	Expected Closure		
Site	Date		
Bredasdorp	2066	27 413 815	25 698 748
Napier	2055	16 834 881	15 806 935
Waenhuiskrans	2055	3 454 879	3 251 267
Struisbaai	2055	14 492 910	13 604 995
L'Agulhas	Closed	4 100 978	3 858 715
<b>Total</b>		<b>66 297 464</b>	<b>62 220 661</b>

There are no current portion associated with this liability, as there are no intention to rehabilitate any sites within 12 months of reporting date.

Discount rates specific to the nature of the provision is utilised to calculate the effect of time value of money. The discount rate is benchmarked against the Earthworks Index as published by Statssa. The discount rate used was stated at 6.50% (2016 – 5.94%).

Environmental Specialists were utilised to determine the cost of rehabilitation of landfill sites.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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### NON-CURRENT PROVISIONS

The estimated area per site to be rehabilitated at year end were as follows (Rehabilitation area - m<sup>2</sup>):

	2017	2016
Bredasdorp	77 370	77 370
Napier	40 810	40 810
Waenhuiskrans	4 500	4 500
Struisbaai	33 952	33 952
L'Agulhas	5 603	5 603

The cost of rehabilitation per square meter is based on the current cost of construction at each reporting period. The cost per square meter were estimated as follows (R/m<sup>2</sup>):

	2017	2016
	R	R
Bredasdorp	354	332
Napier	413	387
Waenhuiskrans	768	723
Struisbaai	427	401
L'Agulhas	732	689

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### RESERVES

	2017	2016
	R	R
Accumulated Surplus	290 057 891	293 834 516
Capital Replacement Reserve	20 000 000	13 500 000
<b>Total</b>	<b>310 057 891</b>	<b>307 334 516</b>

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### PROPERTY RATES

	2017	2016
	R	R
Total Property Rates	55 201 074	50 145 020
Less: Rebates	(399 312)	(214 041)
<b>Total</b>	<b>54 801 761</b>	<b>49 930 979</b>

Property rate levied are based on the following rateable valuations:

	2017	2016
	R	R
Residential	6 873 609 700	6 818 366 700
Business & Commercial	585 616 000	570 243 000
Public benefit Organizations	93 459 000	92 580 000
State-owned	273 125 000	273 916 000
Agricultural	2 451 538 000	2 430 471 000
Other	529 454 200	501 138 200
<b>Total Valuation</b>	<b>10 806 801 900</b>	<b>10 686 714 900</b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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### PROPERTY RATES (CONTINUED)

Historically, valuations on land and buildings were performed every four years. The next general valuation will be implemented on 1 July 2017 after which the valuations will be performed every 5 years. The last valuation came into effect on 1 July 2013.

The first R 15 000 of the valuation on properties used only for residential purposes are exempted from property rates in terms of the Property Rates Act.

The following rates are applicable to the valuations above:

	2017 R	2016 R
Residential Developed	0.006541 c / R	0.006001 c / R
Residential Vacant	0.006541 c / R	0.006001 c / R
Business and Commercial	0.006826 c / R	0.006262 c / R
Industrial	0.006826 c / R	0.006262 c / R
Public Benefit Organisations	0.001636 c / R	0.005739 c / R
State Owned	0.006826 c / R	0.006262 c / R
Agricultural - Bona fide	0.001636 c / R	0.001501 c / R
Agricultural - Residential	0.006541 c / R	0.006001 c / R
Agricultural - Business and Commercial	0.006826 c / R	0.006262 c / R
Agricultural - Other	0.006541 c / R	0.006001 c / R
Other	0.006541 c / R	0.006001 c / R

Rates are levied annually and monthly. Monthly rates are payable by the 25th of the following month and annual rates are payable before 31 October. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but in terms of Council's own policy opted not to collect it.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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### GOVERNMENT GRANTS AND SUBSIDIES

	2017 R	2016 R
<b>Unconditional Grants - National Government</b>	<b>23 075 000</b>	<b>20 679 000</b>
Equitable Share	23 075 000	20 679 000
<b>Conditional Grants - National Government</b>	<b>14 938 787</b>	<b>16 532 770</b>
Financial Management Grant (FMG)	1 475 000	1 450 000
Municipal Systems Improvement Grant (MSIG)	-	930 000
Municipal Infrastructure Grant (MIG)	10 501 000	10 787 000
Skills Development Fund and SETA Bursaries	752 787	365 770
National Electrification Programme (INEP)	1 000 000	2 000 000
Expanded Public Works Program (EPWP)	1 210 000	1 000 000
<b>Conditional Grants - Provincial Government</b>	<b>6 537 015</b>	<b>5 772 552</b>
Library Grant	5 350 000	4 270 000
Proclaimed Road Subsidy	52 025	56 562
Housing Grants	-	-
Other Provincial Allocations	1 134 990	1 445 989
<b>Total</b>	<b>44 550 802</b>	<b>42 984 321</b>

Disclosed as:

Government Grants and Subsidies - Capital	10 815 689	12 898 517
Government Grants and Subsidies - Operating	33 735 113	30 085 805
<b>Total</b>	<b>44 550 802</b>	<b>42 984 321</b>

Grants per Vote (MFMA Sec 123 (c)):

Equitable share	23 075 000	20 679 000
Executive and Council	-	456 950
Budget and Treasury Office	1 842 990	2 632 000
Corporate Services	848 787	427 770
Community and Social Services	5 959 000	5 127 339
Electricity	2 106 169	2 000 000
Infrastructure	10 718 855	11 661 262
<b>Total</b>	<b>44 550 802</b>	<b>42 984 321</b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 26 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)

2017	2016
R	R

The movements per grant can be summarised as follows:

#### 26.01 Equitable Share

Grants Received	23 075 000	20 679 000
Transferred to Revenue - Operating	<u>(23 075 000)</u>	<u>(20 679 000)</u>
<b>Closing Unspent Balance</b>	<b>-</b>	<b>-</b>
	<b><u>-</u></b>	<b><u>-</u></b>

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

#### 26.02 Financial Management Grant (FMG)

Grants Received	1 475 000	1 450 000
Transferred to Revenue - Capital	<u>(707 855)</u>	<u>(211 586)</u>
Transferred to Revenue - Operating	<u>(767 145)</u>	<u>(1 238 414)</u>
<b>Closing Unspent Balance</b>	<b>-</b>	<b>-</b>
	<b><u>-</u></b>	<b><u>-</u></b>

The Financial Management Grant is a conditional grant to assist municipalities in the implementation of financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The grant also utilised to cover expenditure relating to the Financial Management Internship Programme.

#### 26.03 Municipal Systems Improvement Grant (MSIG)

Grants Received	-	930 000
Transferred to Revenue - Capital	<u>-</u>	<u>(780 000)</u>
Transferred to Revenue - Operating	<u>-</u>	<u>(150 000)</u>
<b>Closing Unspent Balance</b>	<b>-</b>	<b>-</b>
	<b><u>-</u></b>	<b><u>-</u></b>

The MSIG is a conditional grant used to build in-house capacity to perform municipal functions and stabilise institutional and governance systems.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 26 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)

#### 26.04 Municipal Infrastructure Grant (MIG)

	2017 R	2016 R
Grants Received	10 501 000	10 787 000
Transferred to Revenue - Capital	(8 571 914)	(9 491 211)
Transferred to Revenue - Operating	<u>(1 929 086)</u>	<u>(1 295 789)</u>
<b>Closing Unspent Balance</b>	<u>-</u>	<u>-</u>

The MIG grant is a conditional grant used to upgrade infrastructure in the municipal area with the main focus on previously disadvantaged areas.

#### 26.05 Skills Development Fund and SETA Bursaries

Opening Balance	130 760	-
Grants Received	201 093	496 530
Transferred to Revenue - Operating	(752 787)	(365 770)
Transferred to Receivables	<u>420 934</u>	<u>-</u>
<b>Closing Unspent Balance</b>	<u>-</u>	<b>130 760</b>

The Skills Development fund (including SETA allocations) is utilised to cover expenditure relating to training and unemployed bursary beneficiaries.

#### 26.06 National Electrification Programme (INEP)

Grants Received	1 000 000	2 000 000
Transferred to Revenue - Capital	(1 000 000)	(1 991 998)
Transferred to Revenue - Operating	<u>-</u>	<u>(8 002)</u>
<b>Closing Unspent Balance</b>	<u>-</u>	<u>-</u>

The INEP grant is a conditional grant to provide capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings and the installation of bulk infrastructure.

#### 26.07 Expanded Public Works Program (EPWP)

Grants Received	1 210 000	1 000 000
Transferred to Revenue - Operating	(1 210 000)	(1 000 000)
<b>Closing Unspent Balance</b>	<u>-</u>	<u>-</u>

The EPWP grant is a conditional grant to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in compliance with the EPWP guidelines.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 26 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)

#### 26.08 Library Grant

	2017 R	2016 R
Opening Unspent Balance	-	-
Grants Received	5 350 000	4 270 000
Transferred to Revenue - Capital	(430 061)	(10 319)
Transferred to Revenue - Operating	<u>(4 919 939)</u>	<u>(4 259 681)</u>
<b>Closing Unspent Balance</b>	<u>-</u>	<u>-</u>

The library grants is utilised to fund the cost of providing library services within the municipal area.

#### 26.09 Proclaimed Road Subsidy

	2017 R	2016 R
Grants Received	52 025	56 562
Transferred to Revenue - Operating	<u>(52 025)</u>	<u>(56 562)</u>
<b>Closing Unspent Balance</b>	<u>-</u>	<u>-</u>

The subsidy is utilised to upgrade and maintain the provincial road network in the municipal area.

#### 26.10 Other Provincial Allocations

	2017 R	2016 R
Opening Unspent Balance	147 990	172 039
Grants Received	2 557 000	1 421 940
Transferred to Revenue - Capital	(105 859)	(413 401)
Transferred to Revenue - Operating	<u>(1 029 131)</u>	<u>(1 032 588)</u>
<b>Closing Unspent Balance</b>	<u>1 570 000</u>	<u>147 990</u>

Other Provincial Allocations includes grants such as:

- Community Development Workers (CDW)
- Provincial Finance Management Support Grant
- Provincial Municipal Infrastructure Support Grant
- Thusong Centre Grant
- Department of Cultural Affairs and Sport

#### 26.11 Total Grants

	2017 R	2016 R
Opening Unspent Balance	278 750	172 039
Grants Received	45 421 118	43 091 032
Transferred to Revenue - Capital	(10 815 689)	(12 898 517)
Transferred to Revenue - Operating	<u>(33 735 113)</u>	<u>(30 085 805)</u>
Transferred to Receivables	<u>420 934</u>	<u>-</u>
<b>Closing Unspent Balance</b>	<u>1 570 000</u>	<u>278 750</u>

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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### PUBLIC CONTRIBUTIONS AND DONATIONS

	2017 R	2016 R
Mayoral Golf Day	30 585	35 220
OK Napier	-	493 825
Betonmeesters	-	163 146
Marine Drive Cables	57 358	76 812
Bredasdorp Steenwerke	-	81 830
Haasbekkie Creshe	-	1 000
P & B Limeworks	58 787	-
Keurtjelaan 13	53 061	-
<b>Total</b>	<b>199 791</b>	<b>851 832</b>

Disclosed as:

Public Contributions and Donations - Capital	164 509	733 132
Public Contributions and Donations - Operating	35 282	118 700
<b>Total</b>	<b>199 791</b>	<b>851 832</b>

The movements per public contribution can be summarised as follows:

#### 27.01 Mayoral Golf Day

Opening Unspent Balance	30 585	46 357
Public Contributions during the year	37 262	19 448
Transferred to Revenue - Operating	(30 585)	(35 220)
<b>Closing Unspent Balance</b>	<b>37 262</b>	<b>30 585</b>

The public contribution relates to Mayoral Charity Golf Days held in Bredasdorp on 5 March 2016 and 3 March 2017. The funds raised at the event will be utilised to support Youth Development programmes in the municipal area.

#### 27.02 OK Napier

Public Contributions during the year	-	493 825
Transferred to Revenue - Capital	-	(493 825)
<b>Closing Unspent Balance</b>	<b>-</b>	<b>-</b>

Contribution for the replacement of Transformer (From 315 to 500) in order to accommodate the electricity demand request of 250KVA from OK Napier.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 27 PUBLIC CONTRIBUTIONS AND DONATIONS (CONTINUED)

2017	2016
R	R

#### 27.03 Betonmeesters

Public Contributions during the year	-	163 146
Transferred to Revenue - Operating	-	(650)
Transferred to Revenue - Capital	-	(162 495)

#### Closing Unspent Balance

Contribution towards the connection of stand 4719 to the Cape Agulhas Municipality's electricity network. Cost for additional cable required.

#### 27.04 Marine Drive Cables

Opening Unspent Balance	57 358	-
Public Contributions during the year	-	134 170
Transferred to Revenue - Capital	(57 358)	(76 812)

#### Closing Unspent Balance

Contribution for the replacement of overhead lines with underground cable in Marine Drive (Andre Mouton - Stand 1251 & H Myburgh Stand 1021).

#### 27.05 Bredasdorp Steenwerke

Public Contributions during the year	-	81 830
Transferred to Revenue - Operating	-	(81 830)
<b>Closing Unspent Balance</b>	<b>-</b>	<b>-</b>

Social Contribution towards the Anene Booyens Skills Centre for additional capital work identified in consultation with the Department of Public Works & Transportation who was responsible for the management of the project.

#### 27.06 Haasbekkie Creshe

Public Contributions during the year	-	1 000
Transferred to Revenue - Operating	-	(1 000)
<b>Closing Unspent Balance</b>	<b>-</b>	<b>-</b>

Private contribution for the painting and maintenance of the Haasbekkie Creshe.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

		2017 R	2016 R
<b>27</b>	<b>PUBLIC CONTRIBUTIONS AND DONATIONS (CONTINUED)</b>		
<b>27.07 P &amp; B Limeworks</b>			
Public Contributions during the year		58 787	-
Transferred to Revenue - Capital		<u>(58 787)</u>	<u>-</u>
<b>Closing Unspent Balance</b>		<u>-</u>	<u>-</u>
Contribution for a new overhead LT for connection to the feedlot and office of P & B Limeworks.			
<b>27.08 Keurtjelaan 13</b>			
Public Contributions during the year		53 061	-
Transferred to Revenue - Capital		<u>(48 364)</u>	<u>-</u>
Transferred to Revenue - Operating		<u>(4 697)</u>	<u>-</u>
<b>Closing Unspent Balance</b>		<u>-</u>	<u>-</u>
Contribution for the replacement of overhead lines with underground cable in Keurtjie Drive.			
<b>27.09 Total</b>			
Opening Unspent Balance		87 943	46 357
Public Contributions during the year		<u>149 110</u>	<u>893 418</u>
Transferred to Revenue - Capital		<u>(164 509)</u>	<u>(733 132)</u>
Transferred to Revenue - Operating		<u>(35 282)</u>	<u>(118 700)</u>
<b>Closing Unspent Balance</b>		<b><u>37 262</u></b>	<b><u>87 943</u></b>
<b>28 FINES</b>			
Traffic Fines		6 387 315	7 270 697
Library Fines		<u>31 172</u>	<u>32 875</u>
Building Control		<u>-</u>	<u>4 177</u>
<b>Total</b>		<b><u>6 418 487</u></b>	<b><u>7 307 749</u></b>
In terms of the requirements of GRAP 23 and IGRAP1, all fines issued during the year less any cancellations or reductions identified are recognised as revenue.			
<b>29 ACTUARIAL GAINS</b>			
Post Retirement Medical Benefits		4 629 229	-
Long Service Awards		<u>560 279</u>	<u>-</u>
<b>Total</b>		<b><u>5 189 508</u></b>	<b><u>-</u></b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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### SERVICE CHARGES

	2017 R	2016 R
Electricity Revenue	95 089 987	85 550 702
Water Revenue	24 474 041	21 936 561
Refuse Removal Revenue	16 955 654	15 332 476
Sewerage and Sanitation Revenue	11 407 291	10 313 063
<b>Total Revenue</b>	<b>147 926 973</b>	<b>133 132 802</b>
Less: Rebates	(8 810 441)	(7 864 651)
Water Revenue	(2 754 939)	(2 512 824)
Refuse Removal Revenue	(3 606 842)	(3 190 921)
Sewerage and Sanitation Revenue	(2 448 660)	(2 160 906)
<b>Total</b>	<b>139 116 532</b>	<b>125 268 151</b>

Rebates can be defined as any income that the Municipality is entitled to levy, but in terms of Council's own policy opted not to collect it.

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### RENTAL OF FACILITIES AND EQUIPMENT

Halls and Offices	308 544	255 408
Properties	1 257 023	911 727
Resorts	6 190 485	5 246 524
Sports Grounds	12 645	11 181
Other	18 070	15 917
<b>Total</b>	<b>7 786 767</b>	<b>6 440 756</b>

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### INTEREST EARNED - OUTSTANDING DEBTORS

Interest Earned - Service Debtors	1 021 266	749 011
Interest Earned - Penalty Interest on Property Rates	542 267	419 642
<b>Total</b>	<b>1 563 532</b>	<b>1 168 653</b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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### OTHER INCOME

	2017 R	2016 R
Connections - Electricity	1 476 296	590 834
Connections - Water	687 525	408 869
Connections - Sewer	257 004	128 482
Building Plan Fees	866 445	726 026
Garden Refuse Removal	19 185	19 843
Sundry Income	1 744 921	1 635 420
<b>Total</b>	<b>5 051 376</b>	<b>3 509 474</b>

Sundry income represents a wide range of revenue items (such as payroll commission, tender deposits, , burial fees, copies and faxes) which is not considered material to warrant separate disclosure in the financial statements.

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### EMPLOYEE RELATED COSTS

	2017 R	2016 R
Basic Salaries and Wages	73 271 812	66 385 114
Pension and UIF Contributions	11 676 757	10 573 241
Medical Aid Contributions	3 936 984	3 316 960
Overtime	3 398 338	3 280 806
Motor Vehicle Allowance	5 421 893	5 147 335
Cellphone Allowance	416 395	349 795
Housing Allowances	1 014 498	1 084 248
Other benefits and allowances	3 949 628	4 263 282
Workmens Compensation Contributions	578 620	475 746
Payments in lieu of leave	1 302 914	1 415 177
Long service awards	561 403	460 270
Post Retirement Medical Benefits	2 402 556	2 073 591
<b>Total</b>	<b>107 931 799</b>	<b>98 825 565</b>

The total employee related cost includes temporary workers funded from the Expanded Public Works Programme Grant, Financial Management Grant, Municipal Infrastructure Grant and internal funded job creation programmes over the festive season.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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### EMPLOYEE RELATED COSTS (CONTINUED)

#### Remuneration of Key Personnel

All Managers are appointed on a 5-year contract, except for the current Chief Financial Officer (Mr PJ van Biljon) who is appointed on a 3 and a half year contract. There are no post-employment or termination benefits payable to them at the end of the contract period. The benefits are as follows:

#### Remuneration of the Municipal Manager - D O'Neill

	2017 R	2016 R
Basic Salary	1 148 092	1 079 718
Pension and UIF Contributions	210 587	193 610
Medical Aid Contributions	45 552	45 046
Performance Bonus	191 966	179 407
Motor Vehicle Allowance	104 730	113 100
Cellphone Allowance	4 018	4 122
Payments in lieu of leave	76 610	-
Other benefits and allowances	17 688	25 199
<b>Total</b>	<b>1 799 243</b>	<b>1 640 202</b>

#### Remuneration of the Community Services Manager - KM Mrali

	2017 R	2016 R
Basic Salary	804 875	757 625
Pension and UIF Contributions	160 365	146 652
Medical Aid Contributions	46 452	44 441
Performance Bonus	104 400	95 570
Motor Vehicle Allowance	39 534	46 170
Cellphone Allowance	138	1 782
Other benefits and allowances	11 137	24 737
<b>Total</b>	<b>1 166 902</b>	<b>1 116 976</b>

#### Remuneration of the Corporate Services Manager - S Ngwevu

	2017 R	2016 R
Basic Salary	804 875	757 625
Pension and UIF Contributions	160 366	146 992
Medical Aid Contributions	46 452	45 946
Performance Bonus	104 400	97 570
Motor Vehicle Allowance	50 344	73 504
Cellphone Allowance	16 200	14 277
Payments in lieu of leave	9 697	-
Other benefits and allowances	16 071	27 632
<b>Total</b>	<b>1 208 404</b>	<b>1 163 546</b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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### EMPLOYEE RELATED COSTS (CONTINUED)

#### Remuneration of the Civil Engineering Services Manager - N Kotze

	2017 R	2016 R
Basic Salary	781 763	734 513
Pension and UIF Contributions	154 330	142 593
Medical Aid Contributions	46 452	45 046
Performance Bonus	104 400	124 150
Motor Vehicle Allowance	72 577	85 244
Cellphone Allowance	5 487	4 140
Payments in lieu of leave	25 117	-
Other benefits and allowances	11 915	20 646
<b>Total</b>	<b>1 202 041</b>	<b>1 156 334</b>

#### Remuneration of the Chief Financial Officer - PJ Van Biljon

	2017 R	2016 R
Basic Salary	893 962	837 604
Pension and UIF Contributions	162 698	160 691
Medical Aid Contributions	45 645	37 921
Performance Bonus	121 921	145 021
Motor Vehicle Allowance	132 204	139 851
Cellphone Allowance	14 400	19 548
Other benefits and allowances	19 105	5 926
<b>Total</b>	<b>1 389 935</b>	<b>1 346 563</b>

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### REMUNERATION OF COUNCILLORS

	2017 R	2016 R
Councillor Allowance	2 820 441	2 212 249
Cellphone Allowance	269 571	205 589
Motor Vehicle Allowance	1 112 101	854 423
Pension and UIF Contributions	541 337	352 700
<b>Total</b>	<b>4 743 451</b>	<b>3 624 961</b>

#### In-kind Benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and one mayoral committee member are full-time. They are provided with secretarial support and an office each at the cost of the Council.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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### REMUNERATION OF COUNCILLORS

The municipal election took place on 3 August 2016 and new councillors were elected as from 15 August 2016. The composition of the Council were as follows prior to and subsequent the elections:

#### Outgoing Council

		2017 R	2016 R
Executive Mayor	R G Mitchell	88 220	732 325
Executive Deputy Mayor	D Jantjies	64 385	592 635
Speaker	E C Marthinus	64 385	590 327
Councillor - Full time (MPAC)	M R Mokotwana	69 838	554 871
Councillor - Part time	P N Atyhosie	29 255	236 369
Councillor - Part time	J G A Niewoudt	28 566	238 469
Councillor - Part time	G D Burger	28 566	236 369
Councillor - Part time	J A Coetzee	-	37 116
Councillor - Part time	W J October	-	55 674
Councillor - Part time	Z Tonisi	28 504	197 699
Councillor - Part time	E Sauls	41 663	153 106

#### Incoming Council

Executive Mayor	P J Swart	700 042	-
Executive Deputy Mayor	Z Tonisi	565 880	-
Speaker	J G A Niewoudt	562 860	-
Councillor - Full time (MPAC)	G D Burger	529 291	-
Councillor - Full time (MPAC)	M October	530 439	-
Councillor - Part time	D Jantjies	241 517	-
Councillor - Part time	E C Marthinus	241 517	-
Councillor - Part time	E Sauls	222 422	-
Councillor - Part time	C J Jacobs	235 367	-
Councillor - Part time	R J Baker	235 367	-
Councillor - Part time	D J Europa	235 367	-
<b>Total</b>		<b>4 743 451</b>	<b>3 624 961</b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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### DEBT IMPAIRMENT

	2017 R	2016 R
Receivables from exchange transactions	4 913 913	3 697 267
Receivables from non-exchange transactions	5 892 062	4 730 488
<b>Total Debt Impairment</b>	<b>10 805 975</b>	<b>8 427 756</b>
Movement in VAT included in debt impairment	(210 134)	(205 862)
<b>Total</b>	<b>10 595 841</b>	<b>8 221 894</b>

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### DEPRECIATION AND AMORTISATION

Investment Property	8 530	8 530
Property, Plant and Equipment	9 562 799	9 227 934
Intangible Assets	319 083	284 835
Capitalised Restoration Cost (PPE)	1 129 143	1 202 362
<b>Total</b>	<b>11 019 554</b>	<b>10 723 661</b>

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### REPAIRS AND MAINTENANCE

In the current year the Accounting Standards Board (ASB) issued a FAQ which states that the line item "Repairs and Maintenance" is no longer permitted in the Statement of Financial Performance, and that the said expenditure should be reclassified by its nature. Accordingly, the items were reclassified to the following line items.

Employee Related Costs	10 625 835	9 353 983
Contracted Services	4 223 700	3 162 544
Other Expenditure	8 877 469	8 032 395
<b>Total</b>	<b>23 727 004</b>	<b>20 548 922</b>

In line with the requirements of GRAP 17, the repairs and maintenance related expenditure can be attributed to the following asset classes:

Furniture, Office Equipment and Tools	683 227	679 685
Buildings and Commonage	2 890 018	2 397 420
Computer Software	2 657 948	2 064 831
Vehicles	1 927 837	2 049 332
Infrastructure: Roads and Stormwater	5 126 613	3 778 021
Infrastructure: Electricity	2 553 183	2 541 124
Infrastructure: Sewerage	3 103 148	2 443 597
Infrastructure: Water	3 578 109	3 784 895
Infrastructure: Refuse	1 206 920	810 017
<b>Total</b>	<b>23 727 004</b>	<b>20 548 922</b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

		2017 R	2016 R
<b>39</b>	<b>ACTUARIAL LOSSES</b>		
	Post Retirement Medical Benefits	-	1 870 418
	Long Service Awards	-	350 956
	<b>Total</b>	<b>-</b>	<b>2 221 374</b>
<b>40</b>	<b>FINANCE CHARGES</b>		
	<b>Finance Charges - Cash</b>	<b>353 392</b>	<b>140 796</b>
	Annuity Loans	301 929	53 412
	Finance Lease Liabilities	51 463	87 384
	<b>Finance Charges - Non-Cash</b>	<b>8 953 703</b>	<b>7 494 776</b>
	Rehabilitation Provision - Landfill Sites	4 044 343	3 665 191
	Post Retirement Medical Benefits	4 296 452	3 376 361
	Long Service Awards	612 908	453 224
	<b>Total</b>	<b>9 307 095</b>	<b>7 635 572</b>
<b>41</b>	<b>BULK PURCHASES</b>		
	Electricity	72 911 171	66 876 228
	Water	170 577	76 971
	<b>Total</b>	<b>73 081 748</b>	<b>66 953 199</b>
<b>42</b>	<b>CONTRACTED SERVICES</b>		
	Audit Committee	87 205	55 250
	Cleaning Services	15 445	70 007
	Clearing & Grass Cutting Services	65 340	66 210
	Debt Collection Services	146 378	39 021
	Information Technology Support	793 080	787 480
	Legal fees	553 326	779 069
	Maintenance of Buildings and Facilities	973 061	326 073
	Maintenance of Equipment	1 704 523	1 835 553
	Professional Services	4 682 131	2 539 080
	Property Valuation	1 288 496	316 685
	Refuse Removal	1 409 352	1 299 260
	Roads and Stormwater	81 025	22 126
	Security Services	711 819	746 393
	Traffic Fine Management	514 411	470 402
	<b>Total</b>	<b>13 025 589</b>	<b>9 352 610</b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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### TRANSFERS AND GRANTS

	2017 R	2016 R
Contribution - Elim Community	300 000	300 000
Contribution - Kassiebaai Community	120 000	120 000
Contribution - Shipwreck Museum	50 000	50 000
Contribution - Tourism Buro	858 000	820 000
Contribution - Overberg Radio	100 000	75 000
Public Funded Grants	30 585	118 043
Subsidy - Low Cost Housing	6 401	8 308
<b>Total</b>	<b>1 464 986</b>	<b>1 491 350</b>

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### OTHER EXPENDITURE

Advertising	224 646	327 656
Audit fees	2 864 867	3 026 233
Bank Charges	884 652	758 462
Bursaries	526 514	165 546
Chemicals	2 308 712	1 927 158
Cleaning material	232 863	232 667
Cleaning Projects	189 147	44 239
Cleaning services & washing	102 425	105 990
Commission Paid	1 362 317	1 222 177
Conferences & Seminars	60 922	60 012
Contributions - Pensioners	72 583	124 991
Courier Charges	27 716	21 910
Donations	119 000	108 000
Entertainment costs	232 676	233 429
Equipment Hire	881 402	981 272
Free Basic Electricity	389 039	212 605
Fuel Cost	2 819 103	2 675 322
Insurance	644 565	532 620
License fees	1 195 523	1 354 154
License fees - Vehicles	132 767	125 823
Life Guards (Beaches)	196 049	164 736
Local Economic Development	50 563	22 593
Maintenance Materials and Small Tools	5 837 406	4 404 952
Marketing	491 805	386 753
Oil & Lubricants	101 905	214 368
Postage	836 962	751 124
Printing & Stationery	696 263	689 469

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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### OTHER EXPENDITURE (CONTINUED)

	2017 R	2016 R
Protective Clothing	543 417	445 397
Public Communication	148 867	179 921
Recruiting Costs	-	5 800
Refuse Bags	678 177	442 117
Rental Paid	690 824	901 823
Service Charges	942 383	817 929
Service connections - new	166 648	290 567
Shared Services - Risk Management	181 946	128 547
Social Assistance	67 195	48 500
Socio-Economic Development	243 719	196 404
Structure - & Zoning planning	953 065	542 885
Subscriptions - Organisations	1 031 853	887 115
Subsistence & Travel Allowances	667 406	781 319
Telephone costs	1 030 318	1 336 779
Training & Development - Staff	1 222 684	1 141 163
Training Levy	953 991	765 410
Travel & Subsistence	17 358	30 367
Tyres	645 613	406 176
Union Representative	40 101	15 556
Vehicle Tracking	16 995	16 839
Ward Committees	512 300	518 524
Water Treatment	175 860	632 929
Other	1 432 118	1 138 718
<b>Total</b>	<b>35 845 228</b>	<b>32 545 046</b>

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### PRIOR PERIOD ADJUSTMENTS - CORRECTION OF ERROR IN TERMS OF GRAP 3

#### 45.01 RECEIVABLES FROM EXCHANGE TRANSACTIONS

<b>Balance previously reported</b>	<b>24 337 359</b>
Correction of recoverable training expenditure on 30 June 2015 - Refer to note 45.1	(548 167)
<b>Restated Balance on 30 June 2016</b>	<b>23 789 192</b>

#### 45.02 OPERATING LEASE ASSET

<b>Balance previously reported</b>	<b>63 532</b>
Correction of lease agreements previously not included in lease asset	45 431
Effect up to 30 June 2015 - Refer to note 45.1	9 410
Effect during 2015/2016 - Refer to note 45.11	36 021
<b>Restated Balance on 30 June 2016</b>	<b>108 964</b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

		2016 R
	<b>PRIOR PERIOD ADJUSTMENTS - CORRECTION OF ERROR IN TERMS OF GRAP 3</b>	
<b>45</b>	<b>(CONTINUED)</b>	
	<b>45.03 INVESTMENT PROPERTY</b>	
	<b>Balance previously reported</b>	<b>40 247 559</b>
	Recognise land previously not accounted for	639 000
	Effect up to 30 June 2015 (Cost) - Refer to note 45.1	319 000
	Effect during 2015/2016 (Cost) - Refer to note 45.11	320 000
	<b>Restated Balance on 30 June 2016</b>	<b>40 886 559</b>
		<b>40 886 559</b>
	<b>45.04 PROPERTY PLANT AND EQUIPMENT</b>	
	<b>Balance previously reported</b>	<b>312 690 314</b>
	Remove duplicated Electricity Infrastructure from asset register	(175 873)
	Effect up to 30 June 2015 (Cost) - Refer to note 45.1	(309 822)
	Effect up to 30 June 2015 (Depreciation) - Refer to note 45.1	123 654
	Effect during 2015/2016 (Depreciation) - Refer to note 45.11	10 295
	Rectify asset allocations between various asset classes	-
	Effect on Land and Buildings up to 30 June 2015 (Cost)	(94 000)
	Effect on Land and Buildings up to 30 June 2015 (Accumulated Depreciation)	16 325
	Effect on Land and Buildings up to 30 June 2016 (Depreciation)	940
	Effect on Community Assets up to 30 June 2015 (Cost)	94 000
	Effect on Community Assets up to 30 June 2015 (Accumulated Depreciation)	(16 325)
	Effect on Community Assets up to 30 June 2016 (Depreciation)	(940)
	Effect on Other Assets up to 30 June 2015 (Cost)	(749 260)
	Effect on Other Assets up to 30 June 2015 (Accumulated Depreciation)	224 915
	Effect on Other Assets up to 30 June 2016 (Depreciation)	24 975
	Effect on Infrastructure Roads up to 30 June 2015 (Cost)	749 260
	Effect on Infrastructure Roads up to 30 June 2015 (Accumulated Depreciation)	(224 915)
	Effect on Infrastructure Roads up to 30 June 2016 (Depreciation)	(24 975)
	Maintenance materials incorrectly capitalised as work in progress during 2016/2017	
	- Refer to note 45.11	(298 214)
	Recognise land previously not accounted for - Refer to note 45.1	470 000
	<b>Restated Balance on 30 June 2016</b>	<b>312 686 226</b>
		<b>312 686 226</b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

2016  
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**45 PRIOR PERIOD ADJUSTMENTS - CORRECTION OF ERROR IN TERMS OF GRAP 3  
(CONTINUED)**

**45.05 INTANGIBLE ASSETS**

<b>Balance previously reported</b>	<b>882 653</b>
Correction of excessive amortisation written off during 2015/2016 - Refer to note	
45.11	7 850
<b>Restated Balance on 30 June 2016</b>	<b>890 502</b>
	<b>890 502</b>

**45.06 PAYABLES FROM EXCHANGE TRANSACTIONS**

<b>Balance previously reported</b>	<b>5 868 080</b>
Eskom service charges incorrectly not raised in the correct financial period	3 700 781
Effect up to 30 June 2015 - Refer to note 45.1	3 298 254
Effect during 2015/2016 - Refer to note 45.11	402 527
Payables relating to hosting of Mayoral Golf Day in 2016 not fully included in records for the year ending 30 June 2016 - Refer to note 45.07	29 085
<b>Restated Balance on 30 June 2016</b>	<b>9 597 946</b>
	<b>9 597 946</b>

**45.07 UNSPENT PUBLIC CONTRIBUTIONS**

<b>Balance previously reported</b>	<b>117 028</b>
Payables relating to hosting of Mayoral Golf Day in 2016 not fully included in records for the year ending 30 June 2016 - Refer to note 45.06	(29 085)
<b>Restated Balance on 30 June 2016</b>	<b>87 943</b>

**45.08 PROVISIONS**

<b>Balance previously reported</b>	<b>3 858 715</b>
Provisions incorrectly disclosed as 'current' when there are no intention or budget allocation to incur the expenditure within 12 months of reporting date - Refer to note 45.09	(3 858 715)
<b>Restated Balance on 30 June 2016</b>	<b>-</b>

**45.09 NON-CURRENT PROVISIONS**

<b>Balance previously reported</b>	<b>58 361 946</b>
Provisions incorrectly disclosed as 'current' when there are no intention or budget allocation to incur the expenditure within 12 months of reporting date - Refer to note 45.08	3 858 715
<b>Restated Balance on 30 June 2016</b>	<b>62 220 661</b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

	2016 R
<b>PRIOR PERIOD ADJUSTMENTS - CORRECTION OF ERROR IN TERMS OF GRAP 3</b>	
<b>45 (CONTINUED)</b>	
<b>45.10 ACCUMULATED SURPLUS</b>	
<b>Balance previously reported</b>	<b>297 395 270</b>
Corrections relating to 2015/2016 - Refer to note 45.11	(326 575)
<b>Corrections up to 30 June 2015</b>	
Eskom service charges incorrectly not raised in the correct financial period - Refer to note 45.06	(3 298 254)
Correction of recoverable training expenditure on 30 June 2015 - Refer to note 45.01	(548 167)
Correction of lease agreements previously not included in lease asset - Refer to note 45.02	9 410
Remove duplicated Electricity Infrastructure from asset register - Refer to note 45.04	(186 168)
Recognise land previously not accounted for up to 30 June 2015 - Refer to note 45.04	470 000
Recognise Investment Properties previously not accounted for up to 30 June 2015 - Refer to note 45.03	319 000
<b>Restated Balance on 30 June 2016</b>	<b>293 834 516</b>
<b>45.11 STATEMENT OF FINANCIAL PERFORMANCE</b>	
<b>Balance previously reported</b>	<b>4 436 563</b>
Eskom service charges incorrectly not raised in the correct financial period - Refer to note 45.06	(402 527)
Correction of lease agreements previously not included in lease asset - Refer to note 45.02	36 021
Remove duplicated Electricity Infrastructure from asset register - Refer to note 45.04	10 295
Maintenance materials incorrectly capitalised as work in progress during 2016/2017 - Refer to note 45.04	(298 214)
Correction of allocation between operating and capital due to incorrect capitalisation of Maintenance Materials	-
Effect on Government Grants and Subsidies - Operating	298 214
Effect on Government Grants and Subsidies - Capital	(298 214)
Correction of excessive amortisation written off during 2015/2016 - Refer to note 45.05	7 850

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

	2016 R
<b>45</b>	<b>PRIOR PERIOD ADJUSTMENTS - CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUED)</b>
	Recognise land previously not accounted for during 2016/2017 (Donated) - Refer to note 45.03 320 000
	Workmens Compensation incorrectly disclosed as part of Other Expenditure -
	Effect on Employee Related Costs (475 746) Effect on Other Expenditure 475 746
	Correct treatment of revenue and expenditure relating to the housing function performed as agent on behalf of the department -
	Effect on Government Grants and Subsidies - Operating (6 668 615) Effect on Other Expenditure 6 668 615
	<b>Restated Balance on 30 June 2016</b> <b>4 109 988</b>
<b>46</b>	<b>PRIOR PERIOD ADJUSTMENTS - RECLASSIFICATION IN TERMS OF GRAP 1</b>
<b>46.01</b>	<b>STATEMENT OF FINANCIAL PERFORMANCE</b>
	In the current year the Accounting Standards Board (ASB) issued a FAQ which states that the line item "Repairs and Maintenance" is no longer permitted in the Statement of Financial Performance and that the said expenditure should be reclassified by its nature. Accordingly all prior year "Repairs and Maintenance" expenditure was reallocated to line items based on nature as follows::
	Effect on Other Expenditure (7 734 181) Effect on Contracted Services (3 162 544) Effect on Repairs and Maintenance 11 194 208 Effect on Employee Related Costs (297 483)
	<b>Net Effect on Surplus for the Year</b> -

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

47	<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>2017</b>	<b>2016</b>
		R	R
	<b>Net Surplus for the year</b>	2 723 376	4 109 988
	Adjusted for:		
	Non-Cash Revenue	(5 930 127)	(4 034 126)
	Reversal of Impairments	-	(3 535)
	Actuarial Gains	(5 189 508)	-
	Gain on Disposal of PPE	(12 000)	(3 631 584)
	Decrease in Landfill Site Provision	(8 554)	(13 116)
	Contributed Assets	(720 066)	(385 890)
	Non-Cash Expenditure	31 257 891	29 010 687
	Debt Impairment	10 595 841	8 221 894
	Depreciation and Amortisation	11 019 554	10 723 661
	Actuarial losses	-	2 221 374
	Finance Charges	8 953 703	7 494 776
	Loss on disposal of PPE	688 792	348 983
	Contributions - Provisions and Employee Benefits	9 886 933	8 944 798
	Post Retirement Medical Benefits	2 402 556	2 073 591
	Long Service Awards	561 403	460 270
	Performance Bonuses	602 988	784 941
	Bonuses	5 017 071	4 210 819
	Staff Leave	1 302 914	1 415 177
	Expenditure - Provisions and Employee Benefits	(7 513 765)	(5 879 341)
	Post Retirement Medical Benefits	(938 637)	(748 314)
	Long Service Awards	(307 457)	(562 989)
	Performance Bonuses	(627 086)	(643 748)
	Bonuses	(4 678 750)	(3 637 229)
	Staff Leave	(961 834)	(287 062)
	Other adjustments	(9 145 474)	(1 696 355)
	Bad Debts Written Off	(9 099 083)	(1 669 480)
	Movement on Operating Lease Asset	(31 793)	(37 218)
	Movement on Operating Lease Liability	(14 598)	10 343
	Operating Surplus before changes in working capital	21 278 833	30 455 651
	Movement in working capital	12 556 882	(20 831 537)
	Receivables (Exchange and Non-Exchange)	(9 428 819)	(16 006 258)
	Inventory	151 898	(29 231)
	Payables from exchange transactions	21 881 913	(5 609 081)
	Unspent Conditional Government Grants	1 291 250	106 711
	Unspent Public Contributions	(50 681)	41 586
	Taxes	(1 288 680)	664 736
	<b>Cash Flow from Operating Activities</b>	<b>33 835 715</b>	<b>9 624 114</b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

48

### CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents comprise out of the following:

	2017 R	2016 R
Primary Bank Account	24 345 119	14 369 648
Cash Floats	16 350	14 150
<b>Total</b>	<b>24 361 469</b>	<b>14 383 798</b>

Refer to note 2 for more details relating to cash and cash equivalents.

49

### BUDGET COMPARISONS

#### 49.1 COMPARABLE BASIS

Differences were identified between the disclosure requirements in terms of GRAP and the reporting requirements in terms of National Treasury budget formats

The following items are affected by these classification differences:

##### **Statement of financial position**

Consumer Debtors consist out of both Receivables from Exchange Transactions as well as the Rates Receivable.

Other Receivables incorporate all other current receivable balances not specifically provided for in the National Treasury formats.

Trade and Other Payables incorporates Payable from exchange transactions, Unspent grants, Unspent public contributions, Taxes and Operating lease liabilities.

Employee Benefits and Provisions (Current and Non-Current) are included under the provisions line item in the budget statements.

##### **Statement of financial performance**

The statement of financial performance is comparable on a line by line basis except for the following items:

The budget statements does not provide for all the different revenue classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other Revenue in the budget statement. Other revenue per budget statement consist out of the following line items - Public Contributions and donations, Other Income and Insurance Receipts.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

49

### BUDGET COMPARISONS (CONTINUED)

Depreciation and Amortisation and Impairments are aggregated on the budget statements while it is shown separately on the Statement of Financial Performance

The budget statements does not provide for all the different expenditure classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other Expenditure in the budget statement. Other Expenditure per budget statement consist out of the following line items - Other Expenditure, Repairs and Maintenance and Actuarial Losses.

#### Cash Flow Statement

The Cash Flow Statement is presented on a comparable basis.

#### 49.2 MATERIAL VARIANCES

##### Statement of financial position - Budget Adjustments

Cash	Align budget to the financial year's projected actual cash results based on the anticipated revenue and expenditure trends.
Consumer Debtors	Incorporate the most recent actual assumptions in the full year forecast (ie Recovery Rates) for Consumer Debtors as well as revised revenue trends.
Other Receivables	An adjustment is required due to the projected downward in levels of fines issued during the current year.
Current portion of Long-Term Receivables	The amount is not regarded as significant
Inventory	Align budget to the projected actual results
Long-Term Receivables	Align the budget to the actual projected forecast
Investment Property	Align budget to the prior year actual results.
Property, Plant And Equipment	Align budget to the prior year actual results and incorporate adjustments to proposed capital budget and depreciation charges.
Intangible Assets	Align budget to additional needs requirements identified and the new projected actual results.
Capitalised Restoration Cost	Align budget to the projected actual results and the adjustments is not regarded as significant compared to the total value reflected for capitalised restoration cost
Borrowing (Current and Non-Current)	Adjust according to proposed capital program to be financed from Annuity Loans and Finance Leases.
Consumer Deposits	Adjustment not regarded as significant
Trade and Other Payables	Adjust payables in line with revised and projected expenditure trends and assumptions relating to period of payment days.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

49

### BUDGET COMPARISONS (CONTINUED)

Provisions and Employee Benefits (Current and Non-Current)	Account mainly for revised expenditure forecast received from the Actuaries relating to Employee Benefits (Long Service and Post Employment Health Benefits)
Accumulated Surplus	Account based on the projected revenue and expenditure forecast as well as proposed contributions to the Capital Replacement Reserve.
Reserves	Account for the adequate level of Capital Replacement Reserve based on anticipated Cash levels on 30 June 2017.

#### Statement of financial position - Budget versus Actual

Cash	Although the deviation is not regarded as significant the main reason can be attributed due to lower than anticipated expenditure levels and cost saving measures employed by the municipality.
Consumer Debtors	Main reason for the deviation is due to under budgeting as a result of the poor economic circumstances / debtor payments
Other Receivables	Full year actuals significant higher than anticipated due to the provision of the housing grant not foreseen during the budget approval.
Property, Plant And Equipment	Deviation mainly as a result of the underspending on the Capital Budget.
Capitalised Restoration Cost	Provision for the restoration cost of the landfill site is slightly higher than anticipated provision based on assumptions applied to unwind the provision in the current year.
Trade and Other Payables	The significant deviation can mainly be attributed to the Escom accounts and ASLA creditor provision for work completed in respect of housing not paid at year-end in order to manage payables within the 30 day period.
Provisions and Employee Benefits (Current and Non-Current)	Deviation mainly as a result of the provision relating to the landfill site which been adjusted to non-current based on the anticipated date of restoration.
Accumulated Surplus	Cost Saving Measures resulted in higher than anticipated net surplus for the current year.
Reserves	Higher than anticipated Cash levels contribution to a higher level of Reserves that can be maintained. (No deviation reflected due to adjustments made)

#### Statement of financial performance - Budget Adjustments

Service Charges (All)	Budget adjustments to account for revised revenue projections based on mid-year actuals and prior year results.
Fines	No deviation anticipated during the mid-year budget assessment - deviation reflected not regarded as significant

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

49

### BUDGET COMPARISONS (CONTINUED)

Licences and Permits	Align budget adjustments to account for projected revenue based on mid-year actuals and prior year results.
Transfers Recognised - Operational	Adjustment mainly due to correction of treatment of the principle agency agreement between the municipality and the department of housing.
Other Income	Budget adjustments to account for revised revenue projections based on mid-year actuals and prior year results.
Employee Related Costs	Budget adjustment not regarded as significant.
Debt Impairment	None based on projected expenditure and debtor payment trends.
Depreciation & Asset Impairment	Not necessary to align current year budget based on prior year actuals and anticipated capital program employed in current year.
Finance Charges	Adjust budget estimates aligned with the revised projected expenditure forecasts.
Bulk Purchases	Downward adjustment for Electricity Bulk Purchases based on mid-year actual results and revised consumption anticipated for the full financial year.
Contracted Services	Adjustment to account for additional anticipated expenditure requirements.
General Expenses	Adjustment mainly due to correction of treatment of the principle agency agreement between the municipality and the department of housing.
Contributions Recognised - Capital	Account for numerous public contributions received in the current year and / or rolled over from the previous year.

### Statement of financial performance - Budget versus Actual

Service Charges - Electricity Revenue	Deviation not regarded as significant.
Service Charges - Water Revenue	Deviation due to the increase in water usage in excess of revenue projections.
Service Charges - Sanitation Revenue	Deviation mainly due to the impact of the increase revenue for septic tanks not fully budgeted for.
Service Charges - Refuse Revenue	Deviation not regarded as significant.
Rental of Facilities and equipment	Deviation not regarded as significant.
Interest Earned - Outstanding Debtors	Deviation not regarded as significant.
Fines	Decrease in traffic fines mainly due to the adherence to legislative requirements which impacted negatively on the operations of law enforcement.
Licences and Permits and Agency Services	Budget based on actual results in previous years and the deviation not regarded as significant

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

49

### BUDGET COMPARISONS (CONTINUED)

Transfers Recognised - Operational	Deviation as a result of the housing allocation not received as anticipated according to the DoRA allocations promulgated.
Other Revenue	Due to the sundry nature of this line item, the actual results of the prior year is used as basis for current year budget.
Gains on Disposal of PPE	Properties sold not provided for in budget.
Employee Related Costs	Deviation mainly the result of the adjustment of expenditure in line with nature (GRAP 1)
Debt Impairment	Deviation mainly the result of a decrease in the payment percentage of receivables.
Depreciation & Asset Impairment	Deviation not regarded as material.
Bulk Purchases	Deviation not regarded as material.
Contracted Services	Deviation due to the change in the disclosure of repairs & maintenance according to the nature of expenditure which was not anticipated in terms of the projected expenditure forecasts.
Other Expenditure	Deviation mainly as a result of cost saving measures, unrealistic budget cost estimates and the decrease in the housing allocation not accounted for in the budget.
Loss on Disposal of PPE	Loss mainly the result of assets not verified during asset count. Municipality did not budget for losses.

### Cash Flow Statement - Budget Adjustments

Property Rates and Service Charges	Incorporate latest payment percentages and revised revenue projections into the cash flow forecast.
Other Revenue	Account for anticipated increase in revenue to be generated based on projected trends.
Government - Operating	Decrease of the Housing allocations in terms of the DoRA promulgation.
Government - Capital	Adjustment not regarded material.
Suppliers and Employees	Adjustment mainly due to anticipated cost saving measures and unrealistic budget estimates.
Cash available on reporting dates	Align budget to prior year actual results and incorporate the anticipated revenue and expenditure trends in the full year projection for Cash.

### Cash Flow Statement - Budget versus Actual

Other Revenue	Deviation mainly due to less than expected cash flow realised from prior year asset sales (R3 million), while the budgeted cash flow incorrectly included actuarial gains (R5.2 million) which is not a cash flow item.
Government - Operating	Deviation mainly due lower than expected transfers from the Department of Human Settlements (Housing grant) during the year. Approximately R14.6 million less than DORA allocation.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

49

### BUDGET COMPARISONS (CONTINUED)

Government - Capital	Deviation not regarded as material
Interest	Higher Cash levels than anticipated resulting in higher interest yields
Suppliers and Employees	Cost saving measures resulting in lower than expected expenditure trends
Finance Charges	Projects funded from loans were procured later than anticipated and the deviation is not regarded as material.
Proceeds on Disposal of PPE	Proceeds on disposal of assets were anticipated and budgeted for.
Capital Assets	The Capital Budget was not fully spent in the current year combined with certain projects that did not materialise before year-end.
New Loans Raised and Repaid	Projects funded from loans were completed later than anticipated which resulted that the expected loan funding was only deposited into the municipality bank account after year-end.

2017

R

2016

R

### 50 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

#### 50.1 UNAUTHORISED EXPENDITURE

Unauthorised expenditure consist out of the following:

Opening balance	-	7 445 269
Unauthorised expenditure current year - operating	1 993 509	-
Unauthorised expenditure current year - capital	-	-
Approved by Council	-	(7 445 269)
<b>Unauthorised expenditure awaiting approval</b>	<b>1 993 509</b>	<b>-</b>

Unauthorised expenditure only relates to expenditure in excess of approved budget votes. No disciplinary steps or criminal proceedings were instituted as a result of unauthorised expenditure incurred.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 50 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)

	2017 (Actual) R	2017 (Final Budget) R	2017 (Unauthorised) R
<b>Unauthorised expenditure - Operating</b>			
Executive and Council	16 710 911	17 808 880	-
Budget and Treasury Office	40 470 260	38 749 702	1 720 558
Corporate Services	25 731 055	27 073 058	-
Community and Social Services	39 436 642	57 611 635	-
Electricity	83 915 244	84 583 783	-
Infrastructure	61 439 972	61 167 021	272 951
<b>Total</b>	<b>267 704 084</b>	<b>286 994 079</b>	<b>1 993 509</b>

### Unauthorised expenditure - Capital

Executive and Council	189 429	556 990	-
Budget and Treasury Office	2 451 992	2 738 960	-
Corporate Services	2 289 475	2 450 680	-
Community and Social Services	2 306 106	3 254 420	-
Electricity	4 347 480	4 389 909	-
Infrastructure	12 695 151	14 773 656	-
<b>Total</b>	<b>24 279 633</b>	<b>28 164 615</b>	<b>-</b>

2017 R	2016 R
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### 50.2 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure consist out of the following:

Opening balance	208 230	17 617
Fruitless and wasteful expenditure incurred	441 754	208 230
Approved by Council	(208 230)	(17 617)
<b>Fruitless and wasteful expenditure awaiting approval</b>		
<b>Fruitless and wasteful expenditure awaiting approval</b>	<b>441 754</b>	<b>208 230</b>

Details of Fruitless and wasteful expenditure incurred :

Land Survey contract not completed and cancelled	430 920	-
Unlock Office doors	890	-
Missed flight and arrange for shuttle services	600	-
Accommodation cancelled with no refund	1 200	-
Telephone Directory publication cancelled	8 144	-

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

	2017 R	2016 R
<b>50 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)</b>		
Interest on late payments	-	1 468
Telephone Services Cancelled although Telkom continue to charge the municipality with the incorrect amounts due Rothman Building partially used and cannot cancel the agreement prior to the expiry date.	-	114 442
Rental of two fax machines although not utilised anymore	-	84 575
<b>Total</b>	<b>441 754</b>	<b>208 230</b>
The fruitless and wasteful expenditure has been referred to the internal audit and MPAC for further investigation. No recovery, disciplinary steps or criminal proceedings were instituted as a result of fruitless and wasteful expenditure incurred which be subject the outcome of the investigation report.		

### 50.3 IRREGULAR EXPENDITURE

Irregular expenditure consist out of the following:

Opening balance	237 855	717 098
Irregular expenditure incurred	272 339	237 855
Approved by Council	(237 855)	(717 098)
<b>Irregular expenditure awaiting approval</b>	<b>272 339</b>	<b>237 855</b>

Details of Irregular expenditure incurred :

Identified irregular expenditure in terms of the SCM policy acquisition procedures	-	2 456
Identified irregular expenditure in terms of the SCM policy - Split of Projects	72 269	-
Contravention of SCM Regulation 29 (4)	200 070	-
Non-Compliance in terms of section 65(2)(a) of the MFMA to ensure a system of expenditure control	-	188 252
Non-Compliance in terms of section 9(1) of the Preferential Procurement Policy Framework Act, 2000	-	47 147
<b>Total</b>	<b>272 339</b>	<b>237 855</b>

# **CAPE AGULHAS LOCAL MUNICIPALITY**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

## **UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)**

50

2017

2016

The irregular expenditure has been referred to internal audit and MPAC for further investigation. No recovery, disciplinary steps or criminal proceedings were instituted as a result of irregular expenditure incurred which bears subject the outcome of the investigation.

## 50.4 MATERIAL LOSSES

## Electricity distribution losses

- Units purchased (Kwh)	74 511 070	74 127 122
- Units lost during distribution (Kwh)	4 840 087	5 337 657
- Percentage lost during distribution	6.50%	7.20%
- Rand Value of Loss	3 339 660	3 416 100

## Water distribution losses

- Kilo litres purified	2 586 927	2 099 039
- Kilo litres lost during distribution	452 288	399 170
- Percentage lost during distribution	17.48%	19.02%
- Rand Value of Loss	922 668	958 008

2017

2016

F

R

## **ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

51

### **51.1 Salga Contributions [MFMA 125 (1)(b)]**

Opening balance	(911 278)	(847 413)
Expenditure incurred	995 778	847 413
Payments	(1 138 411)	(911 278)
<b>Payments in advance</b>	<b>(1 053 911)</b>	<b>(911 278)</b>

## **51.2 Audit Fees [MFMA 125 (1)(c)]**

<b>Opening balance</b>	-	-
Expenditure incurred	2 952 071	3 505 156
External Audit - Auditor-General	2 864 867	3 449 906
Audit Committee	87 205	55 250
Payments	(2 952 071)	(3 505 156)
<b>Outstanding Balance</b>	-	-

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL

#### FINANCE MANAGEMENT ACT (CONTINUED)

51

2017	2016
R	R

#### 51.3 VAT [MFMA 125 (1)(c)]

Opening balance	674 370	431 506
Amounts received during the year	(741 012)	(628 231)
Amounts paid during the year	4 424 882	2 674 930
Amounts claimed - current year	653 198	871 094
Amounts payable - current year	(5 183 568)	(2 674 930)
<b>Outstanding Balance</b>	<b>(172 130)</b>	<b>674 370</b>
<b>Vat in suspense due to cash basis of accounting</b>	<b>130 397</b>	<b>(2 004 783)</b>

VAT is accounted for on the cash basis. All VAT returns have been submitted by the due date throughout the year.

#### 51.4 PAYE, SDL and UIF [MFMA 125 (1)(c)]

Payments due to SARS	14 952 798	13 404 986
Payments	(14 952 798)	(13 404 986)
<b>Outstanding Balance</b>	<b>-</b>	<b>-</b>

#### 51.5 PENSION AND MEDICAL AID CONTRIBUTIONS [MFMA 125 (1)(c)]

Payments due to pension fund and medical aid	26 214 163	22 971 248
Payments	(26 214 163)	(22 971 248)
<b>Outstanding Balance</b>	<b>-</b>	<b>-</b>

#### 51.6 COUNCILLORS ARREAR ACCOUNTS [MFMA 124 (1)(b)]

The following Councillor were in arrears:

Councillor Z Tonisi	-	2 999
	<b>-</b>	<b>-</b>

Arrangements were made to settle the outstanding debt on 30 June 2016 and the full amount was paid during August 2016. There were no outstanding balances to report on in 2017.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 51 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)

2017	2016
R	R

#### 51.7 QUOTATIONS AWARDED - DEVIATIONS FROM SCM

Approved deviations from Supply Chain Management Regulations were identified on the following categories:

##### **Emergency (SCM 36 (1) (a) (i)):**

Less than R 30 000	46 969	4 905
Between R 30 000 and R 200 000	142 565	-
<b>Total</b>	<b>189 534</b>	<b>4 905</b>

##### **Sole Provider (SCM 36 (1) (a) (ii)):**

Less than R 30 000	179 625	46 603
Between R 30 000 and R 200 000	257 062	34 337
More than R 200 000	226 005	-
<b>Total</b>	<b>662 692</b>	<b>80 940</b>

##### **Impractical or Impossible (SCM 36 (1) (a) (v)):**

Less than R 30 000	391 492	154 787
Between R 30 000 and R 200 000	1 026 380	333 044
More than R 200 000	1 666 776	1 312 758
<b>Total</b>	<b>3 084 648</b>	<b>1 800 589</b>

##### **Total Deviations**

Less than R 30 000	618 086	206 295
Between R 30 000 and R 200 000	1 426 007	367 380
More than R 200 000	1 892 781	1 312 758
<b>Total</b>	<b>3 936 874</b>	<b>1 886 433</b>

#### 51.8 OTHER NON-COMPLIANCE [MFMA 125(2)(e)]

None

#### 51.9 TRADING WITH EMPLOYEES IN SERVICE OF THE STATE

During the period under review, the municipality engaged with the following employees in service of the state (SCM 44)

None

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

		2017 R	2016 R																																
<b>ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)</b>																																			
<b>51</b>	During the year under review, the municipality engaged with the following entities where spouses of suppliers are in service of the state (SCM 45)																																		
<table> <thead> <tr> <th><u>Name (State institution)</u></th><th><u>Supplier name</u></th><th></th><th></th></tr> </thead> <tbody> <tr> <td>TL Du Toit (Department of Health)</td><td>Cape Agulhas Cilvils</td><td style="text-align: right;">5 468 551</td><td style="text-align: right;">3 948 434</td></tr> <tr> <td>N Eksteen (Shareholder in Premium Computers &amp; Stationers and in service of Denel)</td><td>Canfred Computers T/A Premium Computers &amp; Stationers</td><td style="text-align: right;">373 658</td><td style="text-align: right;">264 047</td></tr> <tr> <td>V Zeeman (Spouse of owner is employed by Overberg District Municipality)</td><td>DC Zeeman t/a Alliminium Design</td><td style="text-align: right;">94 800</td><td style="text-align: right;">-</td></tr> <tr> <td>Spouse of Director is employed by Western Cape Education Department</td><td>Ikapa Reticulation &amp; Flow</td><td style="text-align: right;">421 633</td><td style="text-align: right;">-</td></tr> <tr> <td>Spouse of Director employed by the City of Cape Town</td><td>NCC Environmental Services</td><td style="text-align: right;">34 200</td><td style="text-align: right;">-</td></tr> <tr> <td><b>Total</b></td><td></td><td style="text-align: right;"><b>6 392 843</b></td><td style="text-align: right;"><b>4 212 480</b></td></tr> </tbody> </table>				<u>Name (State institution)</u>	<u>Supplier name</u>			TL Du Toit (Department of Health)	Cape Agulhas Cilvils	5 468 551	3 948 434	N Eksteen (Shareholder in Premium Computers & Stationers and in service of Denel)	Canfred Computers T/A Premium Computers & Stationers	373 658	264 047	V Zeeman (Spouse of owner is employed by Overberg District Municipality)	DC Zeeman t/a Alliminium Design	94 800	-	Spouse of Director is employed by Western Cape Education Department	Ikapa Reticulation & Flow	421 633	-	Spouse of Director employed by the City of Cape Town	NCC Environmental Services	34 200	-	<b>Total</b>		<b>6 392 843</b>	<b>4 212 480</b>				
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<b>52</b>	<b>CAPITAL COMMITMENTS</b>																																		
<table> <thead> <tr> <th><u>Commitments in respect of Capital Expenditure:</u></th><th></th><th style="text-align: right;"><u>1 472 947</u></th><th style="text-align: right;"><u>2 541 828</u></th></tr> </thead> <tbody> <tr> <td>Approved and contracted for:</td><td></td><td></td><td></td></tr> <tr> <td>VESTA i.r.o Asset register (Additional cost not part of the National Treasury - RT25 Tender)</td><td></td><td style="text-align: right;">1 150 000</td><td style="text-align: right;">-</td></tr> <tr> <td>Supply and erection of fencing at boreholes - Bredasdorp</td><td></td><td style="text-align: right;">122 947</td><td style="text-align: right;">-</td></tr> <tr> <td>Construction of Thusong Centre - Phase 2</td><td></td><td style="text-align: right;">-</td><td style="text-align: right;">1 363 369</td></tr> <tr> <td>Supply &amp; Delivery of Hydraulic Sweeper</td><td></td><td style="text-align: right;">-</td><td style="text-align: right;">248 560</td></tr> <tr> <td>Time and Attendance System</td><td></td><td style="text-align: right;">200 000</td><td style="text-align: right;">929 898</td></tr> <tr> <td><b>Total</b></td><td></td><td style="text-align: right;"><b>1 472 947</b></td><td style="text-align: right;"><b>2 541 828</b></td></tr> </tbody> </table>				<u>Commitments in respect of Capital Expenditure:</u>		<u>1 472 947</u>	<u>2 541 828</u>	Approved and contracted for:				VESTA i.r.o Asset register (Additional cost not part of the National Treasury - RT25 Tender)		1 150 000	-	Supply and erection of fencing at boreholes - Bredasdorp		122 947	-	Construction of Thusong Centre - Phase 2		-	1 363 369	Supply & Delivery of Hydraulic Sweeper		-	248 560	Time and Attendance System		200 000	929 898	<b>Total</b>		<b>1 472 947</b>	<b>2 541 828</b>
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# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

53

### FINANCIAL RISK MANAGEMENT

The municipality is potentially exposed to the following risks:

#### 53.1 Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The following financial assets are exposed to credit risk:

	2017	2016
	R	R
Cash and Cash Equivalents	24 345 119	14 369 648
Receivables from exchange transactions	22 145 598	23 789 192
Current Portion of Long-term Receivables	31 117	27 208
Long-Term Receivables	196 035	227 042
<b>Total</b>	<b>46 717 869</b>	<b>38 413 089</b>

#### Cash and Cash Equivalents

Deposits of the municipality is only held at reputable banks that are listed on the JSE. The credit quality is regularly monitored through required SENS releases by the various banks. The risk pertaining to these deposits are considered to be very low.

There are no restrictions on the cash deposits held, no cash were pledged as security and no collateral is held for any cash and cash equivalents, other than the following:

- Guarantees in favour of the following third parties - Post Office - R 50 000 (2016 - R 50 000)

#### Receivables from Exchange Transactions

Receivables comprise of a large number of users, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these receivables. Credit risk pertaining to receivables are considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Receivables are disclosed after taking into account the provision for impairment raised against each class of receivable.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

53

### FINANCIAL RISK MANAGEMENT (CONTINUED)

Receivables are payable within 30 days. All receivables outstanding for more than 30 days are considered to be passed due.

Refer to note 3 for more information regarding the provision for impairment raised against each service type as well as receivables considered to be passed due.

Also refer to note 3 for more information regarding balances renegotiated beyond the original 30 days payment period initially granted.

No receivables were pledged as security for liabilities and no collateral is held from any consumers (other than consumer deposits).

The following service receivables are passed due, but not impaired:

	2017 R	2016 R
Electricity	1 274 419	1 054 963
Water	628 710	594 946
Refuse	400 459	365 686
Sewerage	293 818	274 575
Other Services	997 021	623 997
<b>Total</b>	<b>3 594 428</b>	<b>2 914 167</b>

#### Long Term Receivables (including current portion)

Long Term Receivables are disclosed after taking into account any provision for impairment raised against the outstanding balance. Each outstanding balance are individually assessed for impairment.

No receivables were pledged as security for liabilities and no collateral is held from any of the counter parties.

#### **53.2 Currency risk (Market Risk)**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of

The financial instruments of the municipality is not directly exposed to any currency risk.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

53

### FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 53.3 Interest rate risk (Market Risk)

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

	2017 R	2016 R
The following balances are exposed to interest rate fluctuations:		
Cash and Cash Equivalents (Excluding Cash on Hand)	24 345 119	14 369 648
Long-term Liabilities (Including Current Portion)	(2 696 243)	(3 373 217)
Non-Current Provisions (Including Current Portion)	<u>(66 297 464)</u>	<u>(62 220 661)</u>
<b>Net balance exposed</b>	<b><u>(44 648 588)</u></b>	<b><u>(51 224 230)</u></b>

Although the non-current provision is not defined as a financial instrument, the potential effect of changes in interest rates used to discount this balance over time, is included for the benefit of the user of the financial statements.

Potential effect of changes in interest rates on surplus and deficit for the year:

0.5% (2016 - 1%) increase in interest rates	(223 243)	(512 242)
1% (2016 - 0%) decrease in interest rates	446 486	-

South Africa have reached the turning point in the rates cycle and any further upward adjustments are remote.

#### 53.4 Liquidity risk

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk is mitigated by approving cash funded budgets at all times to ensure commitments can be settled once due over the long term. The municipality also monitors its cash balances on a daily basis to ensure cash resources are available to settle short term obligations.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

53

### FINANCIAL RISK MANAGEMENT (CONTINUED)

The following balances are exposed to liquidity risk:

	PAYABLE		
	Within 1 Year	Two to five years	After five years
Annuity Loans	580 658	2 142 751	601 168
Finance Lease Liabilities	361 515	-	-
Rehabilitation Provision	-	4 651 431	980 686 668
Payables from exchange transactions	29 862 536	-	-
Unspent Conditional Government Grants	1 570 000	-	-
Unspent Public Contributions	37 262	-	-
<b>Total</b>	<b>32 411 970</b>	<b>6 794 182</b>	<b>981 287 836</b>
	PAYABLE		
	Within 1 Year	Two to five years	After five years
Annuity Loans	758 856	2 081 304	987 637
Finance Lease Liabilities	437 020	361 515	-
Rehabilitation Provision	-	4 661 133	979 749 369
Payables from exchange transactions	8 118 218	-	-
Unspent Conditional Government Grants	278 750	-	-
Unspent Public Contributions	87 943	-	-
<b>Total</b>	<b>9 680 787</b>	<b>7 103 952</b>	<b>980 737 006</b>

Although the rehabilitation provision, the unspent conditional government grant and unspent public contribution is not defined as a financial instrument (due to the absence of a contracted counterparty for the balance), the potential outflow of cash resulting from these balances are included for the benefit of the user of the financial statements.

#### 53.5 Other price risk (Market Risk)

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

The municipality is not exposed to any other price risk.

2017	2016
R	R

### 54 FINANCIAL INSTRUMENTS

The municipality recognised the following financial instruments (All balances are recognised at amortised cost.)

#### Financial Assets

Cash and Cash Equivalents	24 361 469	14 383 798
Receivables from exchange transactions	22 145 598	23 789 192
Current Portion of Long-term Receivables	31 117	27 208
Long-Term Receivables	196 035	227 042
<b>Total</b>	<b>46 734 219</b>	<b>38 427 239</b>

#### Financial Liabilities

Current Portion of Long-term Liabilities	684 389	869 577
Payables from exchange transactions	29 862 536	8 118 218
Unspent Conditional Government Grants	1 570 000	278 750
Unspent Public Contributions	37 262	87 943
Long-term Liabilities	2 011 854	2 503 641
<b>Total</b>	<b>34 166 041</b>	<b>11 858 129</b>

### 55 STATUTORY RECEIVABLES

In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:

#### **Receivables from Non-Exchange Transactions**

Rates	7 972 196	6 167 613
Unpaid Grants	420 934	-
Department of Housing	8 572 180	-
Fines	7 613 700	8 123 981
<b>Total</b>	<b>24 579 009</b>	<b>14 291 594</b>

Refer to note 4 for more detail relating to the fines and rates receivables, including any provision for impairment raised against the gross amounts disclosed above.

Rates Receivable past due not impaired

**1 524 795**

**596 075**



WS 30 November 2017

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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### EVENTS AFTER REPORTING DATE

The Municipal Regulations on Standard Chart of Accounts promulgated in terms of Government Gazette 37577 dated 22 April 2014 apply to all municipalities and municipal entities and became effect as from 1 July 2017.

The main objective of this Regulations is to provide for a national standard in respect of uniform recording and classification of municipal budget and financial information at a transaction level by prescribing a standard chart of accounts for municipalities and municipal entities which-

(a) are aligned to the budget formats and accounting standards prescribed for municipalities and municipal entities and with the standard charts of accounts for national and provincial government; and

(b) enable uniform information sets recorded in terms of national norms and standards across the whole of government for the purposes of national policy coordination and reporting, benchmarking and performance measurement in the local government sphere.

The impact of this mSCOA regulations definitely affected the municipality's current business processes; transacting and reporting requirements.

In order for the municipality to ensure full compliance with the mSCOA regulations it was necessary to do an ICT Due Diligence report on the current financial system's capability and evaluate the performance of the vendors aligned with mSCOA requirements. Based on the assessment done an item was submitted to Council during March 2017 to consider the procurement of a new financial system (VESTA - Phoenix) by making use of the National Treasury RT25 transversal tender in order for the municipality to ensure full compliance and functionality as per mSCOA requirements with the effective date of implementation 1 July 2017.

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### IN-KIND DONATIONS AND ASSISTANCE

The Cape Agulhas Municipality during the financial year under review received the following assistance in-kind from the Department Community Safety providing 16 interns to assist with safety issues within the municipal area as well as the Department of Corporate Governance and Human Settlements involved with community development work. The mentioned assistance in-kind is not regarded as significant nor can it be measured reliably.

Refer to notes 19 and 27 for more detail regarding to public contributions and other assistance received. The municipality also received donated assets to the value of R 720 066 (2016 - R385 890.)

58

### PRIVATE PUBLIC PARTNERSHIPS (PPP's)

The municipality did not enter into any PPP's in the current and prior year.

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### CONTINGENT LIABILITIES

The municipality were exposed to the following contingent liabilities at year end:

**59.1** The municipality does not have a permit or license for Waenhuiskrans landfill site currently in use and could be liable for a penalty in terms of section 24G of the Environmental Conservation Act. The municipality is in discussion with the Department of Environmental Affairs to address the outstanding issue.

**59.2** Guarantees in favour of the following third parties - Post Office - R 50 000 (2016 - R 50 000)

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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### RELATED PARTIES

Related parties are defined in note 1.35

All rates, service charges and other charges in respect of related parties are in accordance with approved tariffs that were advertised to the public. No impairment charge have been recognised in respect of amounts owed by related parties.

There are no loans outstanding to any related party. Since 1 July 2004 loans to councillors and senior management employees are not permitted.

Remuneration of related parties are disclosed in notes 34 and 35

The Cape Agulhas Municipality as the holding entity had a 100% shareholding in the Southernmost Development Agency (SOC) LTD. As the parent entity of the Agency, the municipality resolved during the 2012/13 financial year to de-register the company. Although the de-registration process is as yet not been finalised on 30 June 2017, the company does not have any assets or liabilities on the reporting dates under review (30 June 2016 and 30 June 2017). The process to de-register the company is considered to be an administrative matter to be finalised and no further financial activities have been conducted in the company on or beyond 30 June 2015. Due to the de-registration no consolidated financial statements are prepared for the financial year under review.

The following purchases were made during the year where Councillors, Management or Employees have an interest:

<u>Entity</u>	<u>Employee</u>	2017 R	2016 R
Adonai Funeral Home (Brother of D Fredericks)	D Fredericks	12 500	35 200
Diedericks Construction (Brother F Pieterse)	J Diedericks	8 900	-
F Pieterse (Spouse of F Pieterse)	F Pieterse	4 900	20 190
AC Rudolph (Parent of A Rudolph)	A Rudolph	950	-
Cape Agulhas Communications (Parent of H Spandiel)	H Spandiel	31 948	-
M.A.T Overberg Retailers (Spouses of J Teixeira & L Texeira)	J Teixeira & L Texeira	-	6 694
M Wawa T/A Tamtura Wawa Taxi Services (Brother of X Wawa & T Wawa)	X Wawa & T Wawa	7 700	-
J Van Zyl (Parent of W van Zyl)	W Van Zyl	34 410	-
<b>Total</b>		<b>101 308</b>	<b>62 084</b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 61 NATIONAL TREASURY APPROPRIATION STATEMENT

	ORIGINAL BUDGET 2017 R	BUDGET ADJUSTMENTS 2017 R	FINAL BUDGET 2017 R	ACTUAL OUTCOME 2017 R	BUDGET VARIANCE 2017 R	RESTATED OUTCOME 2016 R
<b>Financial Performance</b>						
Property rates	54 671 400	(242 000)	54 429 400	54 801 761	372 361	49 930 979
Service charges	138 723 271	(1 181 732)	137 541 539	139 116 532	1 574 993	125 268 151
Investment revenue	1 899 500	150 000	2 049 500	2 130 979	81 479	1 906 965
Transfers recognised - operational	60 774 936	(7 858 687)	52 916 249	33 735 113	(19 181 136)	30 085 805
Other own revenue	22 529 949	6 603 776	29 133 725	28 938 114	(195 611)	24 844 113
<b>Total Operating Revenue</b>	<b>278 599 056</b>	<b>(2 528 643)</b>	<b>276 070 413</b>	<b>258 722 499</b>	<b>(17 347 914)</b>	<b>232 036 014</b>
Employee costs	101 846 744	34 311	101 881 055	107 931 799	6 050 744	98 825 565
Remuneration of councillors	4 785 700	-	4 785 700	4 743 451	(42 249)	3 624 961
Debt impairment	7 400 200	-	7 400 200	10 595 841	3 195 641	8 221 894
Depreciation & asset impairment	10 887 600	-	10 887 600	11 019 554	131 954	10 723 661
Finance charges	8 526 822	930 591	9 457 413	9 307 095	(150 318)	7 635 572
Materials and bulk purchases	75 101 100	(1 880 000)	73 221 100	73 081 748	(139 352)	66 953 199
Transfers and grants	1 783 110	25 000	1 808 110	1 464 986	(343 124)	1 491 350
Other expenditure	87 053 686	(9 500 785)	77 552 901	49 559 610	(27 993 291)	44 468 013
<b>Total Expenditure</b>	<b>297 384 962</b>	<b>(10 390 883)</b>	<b>286 994 079</b>	<b>267 704 084</b>	<b>(19 289 995)</b>	<b>241 944 215</b>
<b>Surplus/(Deficit)</b>	<b>(18 785 906)</b>	<b>7 862 240</b>	<b>(10 923 666)</b>	<b>(8 981 585)</b>	<b>1 942 081</b>	<b>(9 908 201)</b>
Transfers recognised - capital	11 931 064	(31 623)	11 899 441	10 815 689	(1 083 752)	12 898 517
Contributions Recognised - capital	-	708 190	708 190	169 206	(538 984)	733 782
Contributed Assets	-	197 961	197 961	720 066	522 105	385 890
<b>Surplus/(Deficit) for the year</b>	<b>(6 854 842)</b>	<b>8 736 768</b>	<b>1 881 926</b>	<b>2 723 376</b>	<b>841 450</b>	<b>4 109 988</b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

### 61 NATIONAL TREASURY APPROPRIATION STATEMENT (CONTINUED)

	ORIGINAL BUDGET 2017 R	BUDGET ADJUSTMENTS 2017 R	FINAL BUDGET 2017 R	ACTUAL OUTCOME 2017 R	BUDGET VARIANCE 2017 R	RESTATED OUTCOME 2016 R
<b>Capital expenditure &amp; funds sources</b>						
<b>Capital expenditure</b>	<b>24 631 925</b>	<b>3 532 690</b>	<b>28 164 615</b>	<b>24 279 633</b>	<b>(3 884 982)</b>	<b>21 585 204</b>
Transfers recognised - capital	11 931 060	(31 619)	11 899 441	10 815 689	(1 083 752)	13 196 731
Public contributions & donations	-	906 160	906 160	884 575	(21 585)	1 119 022
Borrowing	3 750 000	74 170	3 824 170	2 620 035	(1 204 135)	2 573 190
Internally generated funds	8 950 865	2 583 979	11 534 844	9 959 334	(1 575 510)	4 696 261
<b>Total sources of capital funds</b>	<b>24 631 925</b>	<b>3 532 690</b>	<b>28 164 615</b>	<b>24 279 633</b>	<b>(3 884 982)</b>	<b>21 585 204</b>
<b>Cash flows</b>						
Net cash from (used) operating	12 058 124	23 810 908	35 869 032	33 835 715	(2 033 318)	9 624 114
Net cash from (used) investing	(24 627 486)	(3 509 922)	(28 137 407)	(23 463 736)	4 673 671	(16 104 215)
Net cash from (used) financing	3 376 479	(811 422)	2 565 056	(394 307)	(2 959 364)	2 029 807
<b>Net Cash Movement for the year</b>	<b>(9 192 883)</b>	<b>19 489 564</b>	<b>10 296 681</b>	<b>9 977 672</b>	<b>(319 010)</b>	<b>(4 450 295)</b>
Cash/cash equivalents at beginning of year	19 290 914	(4 907 116)	14 383 798	14 383 798	-	18 834 093
<b>Cash/cash equivalents at the year end</b>	<b>10 098 032</b>	<b>14 582 447</b>	<b>24 680 479</b>	<b>24 361 470</b>	<b>(319 010)</b>	<b>14 383 797</b>

Refer to Appendix F for more detail relating to the National Treasury Appropriation Statements

# CAPE AGULHAS LOCAL MUNICIPALITY

## APPENDIX A (UNAUDITED)

### SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDING 30 JUNE 2017

INSTITUTION	LOAN NUMBER	RATE	REDEMPTION DATE	OPENING BALANCE 1 JULY 2016	RECEIVED DURING YEAR	REDEEMED DURING YEAR	CLOSING BALANCE
							30 JUNE 2017
<b><u>ANNUITY LOANS</u></b>							
DBSA	B48	15.00%	2017-06-30	214 132	-	(214 132)	-
ABSA	3044713107	10.60%	2026-06-30	1 200 000	-	(66 479)	1 133 521
ABSA	88397067	10.60%	2021-06-30	729 253	-	(115 680)	613 573
ABSA	88399019	10.60%	2021-06-30	319 061	-	(49 843)	269 217
ABSA	88396435	10.60%	2021-06-30	180 077	-	(27 401)	152 676
ABSA	88583065	10.60%	2021-06-30	-	220 035	(37 917)	182 118
<b>Total Annuity Loans</b>				<b>2 642 522</b>	<b>220 035</b>	<b>(511 452)</b>	<b>2 351 106</b>
<b><u>FINANCE LEASE LIABILITIES</u></b>							
Nashua MP9002	W883J900014	9.00%	2017-02-28	41 236	-	(41 236)	-
Nashua MP201SPFGY	W3049601665	9.37%	2018-05-31	6 841	-	(3 416)	3 425
Nashua MP201SPFGY	W3049601380	9.37%	2018-05-31	6 841	-	(3 416)	3 425
Nashua MP201SPFGY	W3049601292	9.37%	2018-05-31	6 841	-	(3 416)	3 425
Nashua MP201SPFGY	W3049601290	9.37%	2018-05-31	6 841	-	(3 416)	3 425
Nashua MP201SPFGY	W3049604821	9.37%	2018-05-31	6 841	-	(3 416)	3 425
Nashua MP201SPFGY	W3049604824	9.37%	2018-05-31	6 841	-	(3 416)	3 425
Nashua MP201SPFGY	W3049604805	9.37%	2018-05-31	6 841	-	(3 416)	3 425
Nashua MP201SPFGY	W3049604820	9.37%	2018-05-31	6 841	-	(3 416)	3 425
Nashua MP201SPFGY	W3049604818	9.37%	2018-05-31	6 841	-	(3 416)	3 425
Nashua MP301SPF	W914PC06432	9.37%	2018-05-31	9 524	-	(4 756)	4 767
Nashua MP301SPF	W914P407168	9.37%	2018-05-31	9 524	-	(4 756)	4 767

# CAPE AGULHAS LOCAL MUNICIPALITY

## APPENDIX A (UNAUDITED)

### SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDING 30 JUNE 2017

INSTITUTION	LOAN NUMBER	RATE	REDEMPTION DATE	OPENING BALANCE 1 JULY 2016	RECEIVED DURING YEAR	REDEEMED DURING YEAR	CLOSING BALANCE 30 JUNE 2017	
							R	R
<b><u>FINANCE LEASE LIABILITIES (CONTINUED)</u></b>								
Nashua MP301SPF	W914P407172	9.37%	2018-05-31	9 524	-	(4 756)	4 767	
Nashua MP301SPF	W914P407173	9.37%	2018-05-31	9 524	-	(4 756)	4 767	
Nashua MP301SPF	W914P407177	9.37%	2018-05-31	9 524	-	(4 756)	4 767	
Nashua MP301SPF	W914P407185	9.37%	2018-05-31	9 524	-	(4 756)	4 767	
Nashua MP301SPF	W914P407189	9.37%	2018-05-31	9 524	-	(4 756)	4 767	
Nashua MP301SPF	W914P407191	9.37%	2018-05-31	9 524	-	(4 756)	4 767	
Nashua MP301SPF	W914P407208	9.37%	2018-05-31	9 524	-	(4 756)	4 767	
Nashua MP301SPF	W914P407225	9.37%	2018-05-31	9 524	-	(4 756)	4 767	
Nashua MP301SPF	W914P407313	9.37%	2018-05-31	9 524	-	(4 756)	4 767	
Nashua MP301SPF	W914P407315	9.37%	2018-05-31	9 524	-	(4 756)	4 767	
Nashua MPC305SPF	W794P503261	9.37%	2018-05-31	12 542	-	(6 263)	6 278	
Nashua MPC305SPF	W794P503262	9.37%	2018-05-31	12 542	-	(6 263)	6 278	
Nashua MPC4503	E174MC30441	9.37%	2018-05-31	48 088	-	(24 016)	24 072	
Nashua MPC4503	E174MC30439	9.37%	2018-05-31	48 088	-	(24 016)	24 072	
Nashua HP T2500	CN52EBH02X	9.37%	2018-05-31	145 002	-	(72 415)	72 587	
Nashua MP9002	W884JC00043	9.37%	2018-05-31	73 909	-	(36 911)	36 998	
Nashua MP9002	W885J100084	9.37%	2018-05-31	73 909	-	(36 911)	36 998	
Nashua MPC305SPF	W795P203788	9.37%	2018-05-31	12 853	-	(6 419)	6 434	
Nashua MP2501SP	E335M220259	9.37%	2018-05-31	25 156	-	(12 563)	12 593	
Nashua MP6002SP	W865J100087	9.37%	2018-05-31	61 516	-	(30 722)	30 794	
<b>Total Finance Lease Liabilities</b>				<b>730 695</b>	<b>-</b>	<b>(385 557)</b>	<b>345 138</b>	
<b>Total Long-Term Liabilities</b>				<b>3 373 217</b>	<b>220 035</b>	<b>(897 009)</b>	<b>2 696 243</b>	

# CAPE AGULHAS LOCAL MUNICIPALITY

## APPENDIX B (UNAUDITED)

### ANALYSIS OF PROPERTY PLANT AND EQUIPMENT FOR THE YEAR ENDING 30 JUNE 2017

30 June 2017	Cost				Accumulated Depreciation				Carrying Value R
	Opening Balance R	Additions R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	
<b>Land and Buildings</b>	<b>84 035 635</b>	<b>723 861</b>	<b>(105 000)</b>	<b>84 654 496</b>	<b>10 399 983</b>	<b>270 011</b>	<b>(22 886)</b>	<b>10 647 109</b>	<b>74 007 387</b>
Land	55 723 058	-	(24 000)	55 699 058	-	-	-	-	55 699 058
Buildings	28 312 578	723 861	(81 000)	28 955 439	10 399 983	270 011	(22 886)	10 647 109	18 308 330
<b>Infrastructure</b>	<b>249 535 485</b>	<b>15 567 444</b>	<b>(520 354)</b>	<b>264 582 575</b>	<b>53 311 890</b>	<b>6 662 120</b>	<b>(192 795)</b>	<b>59 781 215</b>	<b>204 801 360</b>
Roads and Storm water	89 241 084	7 408 302	(140 800)	96 508 586	13 533 831	2 278 368	-	15 812 199	80 696 387
Electricity Network	54 742 789	4 276 753	(379 554)	58 639 989	12 260 205	1 467 268	(192 795)	13 534 677	45 105 311
Sewerage Network	54 787 011	1 585 936	-	56 372 947	9 545 456	1 687 346	-	11 232 802	45 140 146
Water Network	48 664 942	2 296 453	-	50 961 394	16 560 673	1 151 746	-	17 712 420	33 248 975
Refuse Removal	2 099 659	-	-	2 099 659	1 411 726	77 392	-	1 489 118	610 541
<b>Community Assets</b>	<b>23 909 346</b>	<b>2 163 692</b>	<b>-</b>	<b>26 073 038</b>	<b>2 497 500</b>	<b>315 226</b>	<b>-</b>	<b>2 812 725</b>	<b>23 260 313</b>
Cemeteries	219 207	-	-	219 207	2 544	780	-	3 324	215 883
Clinics	201 995	-	-	201 995	30 012	1 920	-	31 932	170 062
Community Halls	11 638 828	800 612	-	12 439 440	356 108	116 556	-	472 664	11 966 776
Libraries	4 301 035	314 964	-	4 615 999	1 494 656	39 506	-	1 534 162	3 081 836
Parks & Gardens	1 920 132	907 716	-	2 827 848	173 275	46 309	-	219 584	2 608 264
Recreation Grounds	1 766 423	-	-	1 766 423	267 792	24 678	-	292 470	1 473 952
Sports facilities	3 861 727	-	-	3 861 727	173 112	85 477	-	258 589	3 603 138
Markets	-	140 400	-	140 400	-	-	-	-	140 400
<b>Lease Assets</b>	<b>1 192 011</b>	<b>-</b>	<b>-</b>	<b>1 192 011</b>	<b>255 273</b>	<b>193 660</b>	<b>-</b>	<b>448 933</b>	<b>743 078</b>
Leased Assets - Office Machines	1 192 011	-	-	1 192 011	255 273	193 660	-	448 933	743 078

# CAPE AGULHAS LOCAL MUNICIPALITY

## APPENDIX B (UNAUDITED)

### ANALYSIS OF PROPERTY PLANT AND EQUIPMENT FOR THE YEAR ENDING 30 JUNE 2017

30 JUNE 2017 (CONTINUED)	Cost				Accumulated Depreciation				Carrying Value R
	Opening Balance R	Additions R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	
<b>Other Assets</b>	<b>32 849 854</b>	<b>2 774 907</b>	<b>(593 112)</b>	<b>35 031 649</b>	<b>12 371 459</b>	<b>2 121 783</b>	<b>(313 993)</b>	<b>14 179 249</b>	<b>20 852 400</b>
Computer Hardware	3 870 528	1 084 450	(97 065)	4 857 913	1 485 830	391 536	(51 389)	1 825 977	3 031 936
Furniture and Office Equipment	5 965 405	1 083 149	(234 740)	6 813 814	1 966 187	459 359	(119 689)	2 305 857	4 507 956
Vehicles	12 891 150	178 223	(23 000)	13 046 372	5 266 509	754 418	(11 000)	6 009 927	7 036 445
Special Vehicles	3 321 867	220 035	-	3 541 902	830 854	68 437	-	899 292	2 642 610
Tools and Equipment	4 306 698	202 756	(183 672)	4 325 782	1 608 871	321 953	(98 381)	1 832 442	2 493 340
Other	2 494 207	6 295	(54 636)	2 445 866	1 213 208	126 079	(33 534)	1 305 753	1 140 113
<b>Total</b>	<b>391 522 331</b>	<b>21 229 904</b>	<b>(1 218 466)</b>	<b>411 533 770</b>	<b>78 836 106</b>	<b>9 562 799</b>	<b>(529 674)</b>	<b>87 869 232</b>	<b>323 664 539</b>

The following work in progress balances are included in PPE

Roads and Storm water	4 732 892
Electricity Network	3 202 627
Sewerage Network	1 579 165
Water Network	20 879
Community Assets	140 400
<b>Total Work in Progress (WIP)</b>	<b>9 675 962</b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## APPENDIX B (UNAUDITED)

### ANALYSIS OF PROPERTY PLANT AND EQUIPMENT FOR THE YEAR ENDING 30 JUNE 2017

30 JUNE 2016	Cost				Accumulated Depreciation				Carrying Value R
	Opening Balance R	Additions R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	
<b>Land and Buildings</b>	<b>84 164 631</b>	<b>757 004</b>	<b>(886 000)</b>	<b>84 035 635</b>	<b>10 130 910</b>	<b>429 307</b>	<b>(160 234)</b>	<b>10 399 983</b>	<b>73 635 652</b>
Land	55 723 058	-	-	55 723 058	-	-	-	-	55 723 058
Buildings	28 441 574	757 004	(886 000)	28 312 578	10 130 910	429 307	(160 234)	10 399 983	17 912 594
<b>Infrastructure</b>	<b>238 377 202</b>	<b>11 206 103</b>	<b>(47 821)</b>	<b>249 535 485</b>	<b>46 935 710</b>	<b>6 396 170</b>	<b>(19 989)</b>	<b>53 311 890</b>	<b>196 223 594</b>
Roads and Storm water	85 177 388	4 063 696	-	89 241 084	11 422 913	2 110 917	-	13 533 831	75 707 253
Electricity Network	50 762 797	4 017 423	(37 431)	54 742 789	10 868 300	1 403 142	(11 238)	12 260 205	42 482 585
Sewerage Network	51 712 176	3 085 225	(10 390)	54 787 011	7 898 013	1 656 194	(8 751)	9 545 456	45 241 555
Water Network	48 625 182	39 760	-	48 664 942	15 412 361	1 148 312	-	16 560 673	32 104 269
Refuse Removal	2 099 659	-	-	2 099 659	1 334 123	77 604	-	1 411 726	687 932
<b>Community Assets</b>	<b>18 153 513</b>	<b>5 758 204</b>	<b>(2 372)</b>	<b>23 909 346</b>	<b>2 217 626</b>	<b>280 510</b>	<b>(637)</b>	<b>2 497 500</b>	<b>21 411 846</b>
Cemeteries	219 207	-	-	219 207	1 764	780	-	2 544	216 663
Clinics	201 995	-	-	201 995	28 092	1 920	-	30 012	171 982
Community Halls	8 748 895	2 889 934	-	11 638 828	265 406	90 702	-	356 108	11 282 720
Libraries	4 297 285	3 750	-	4 301 035	1 431 263	63 394	-	1 494 656	2 806 378
Parks & Gardens	666 918	1 253 214	-	1 920 132	131 700	41 575	-	173 275	1 746 857
Recreation Grounds	1 766 423	-	-	1 766 423	243 614	24 178	-	267 792	1 498 630
Sports facilities	2 252 792	1 611 307	(2 372)	3 861 727	115 788	57 961	(637)	173 112	3 688 615
<b>Lease Assets</b>	<b>1 096 561</b>	<b>144 800</b>	<b>(49 349)</b>	<b>1 192 011</b>	<b>89 837</b>	<b>213 596</b>	<b>(48 159)</b>	<b>255 273</b>	<b>936 738</b>
Leased Assets - Office Machines	1 096 561	144 800	(49 349)	1 192 011	89 837	213 596	(48 159)	255 273	936 738

# CAPE AGULHAS LOCAL MUNICIPALITY

## APPENDIX B (UNAUDITED)

### ANALYSIS OF PROPERTY PLANT AND EQUIPMENT FOR THE YEAR ENDING 30 JUNE 2017

30 JUNE 2016 (CONTINUED)	Cost				Accumulated Depreciation				Carrying Value R
	Opening Balance R	Additions R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	
<b>Other Assets</b>	<b>30 575 061</b>	<b>3 050 878</b>	<b>(776 085)</b>	<b>32 849 854</b>	<b>10 829 651</b>	<b>1 908 351</b>	<b>(366 543)</b>	<b>12 371 459</b>	<b>20 478 395</b>
Computer Hardware	3 498 456	481 242	(109 170)	3 870 528	1 223 647	335 480	(73 296)	1 485 830	2 384 697
Furniture and Office Equipment	5 578 263	762 289	(375 147)	5 965 405	1 804 829	349 334	(187 975)	1 966 187	3 999 218
Vehicles	11 834 261	1 215 133	(158 244)	12 891 150	4 537 631	746 906	(18 028)	5 266 509	7 624 641
Special Vehicles	3 320 756	1 111	-	3 321 867	770 584	60 271	-	830 854	2 491 012
Tools and Equipment	3 914 384	485 529	(93 215)	4 306 698	1 371 906	294 711	(57 746)	1 608 871	2 697 827
Other	2 428 942	105 574	(40 309)	2 494 207	1 121 055	121 650	(29 497)	1 213 208	1 280 999
<b>Total</b>	<b>372 366 969</b>	<b>20 916 990</b>	<b>(1 761 627)</b>	<b>391 522 331</b>	<b>70 203 734</b>	<b>9 227 934</b>	<b>(595 562)</b>	<b>78 836 106</b>	<b>312 686 226</b>

The following work in progress balances are included in PPE.

Roads and Storm water	4 427 898
Electricity Network	2 029 217
Water Network	89 500
<b>Total Work in Progress (WIP)</b>	<b>6 546 615</b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## APPENDIX C (UNAUDITED)

### SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE (MUNICIPAL VOTES) FOR THE YEAR ENDING 30 JUNE 2017

VOTE	30 JUNE 2017			30 JUNE 2016		
			SURPLUS/ (DEFICIT)			SURPLUS/ (DEFICIT)
	REVENUE R	EXPENDITURE R	R	REVENUE R	EXPENDITURE R	R
Executive and Council	14 205 290	(16 710 911)	(2 505 621)	13 252 297	(15 089 808)	(1 837 511)
Budget and Treasury Office	66 813 749	(40 470 260)	26 343 489	60 455 533	(38 210 902)	22 244 631
Corporate Services	3 338 746	(25 731 055)	(22 392 309)	2 668 680	(22 772 701)	(20 104 021)
Community and Social Services	21 919 210	(39 436 642)	(17 517 431)	20 664 315	(34 556 661)	(13 892 345)
Electricity	99 572 725	(83 915 244)	15 657 481	89 127 681	(76 723 914)	12 403 767
Infrastructure	64 577 739	(61 439 972)	3 137 767	59 885 696	(54 590 229)	5 295 467
<b>Total</b>	<b>270 427 460</b>	<b>(267 704 084)</b>	<b>2 723 376</b>	<b>246 054 203</b>	<b>(241 944 215)</b>	<b>4 109 988</b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## APPENDIX D (UNAUDITED)

### ACTUAL VERSUS BUDGET- CAPITAL AND OPERATING EXPENDITURE (VOTES) FOR THE YEAR ENDING 30 JUNE 2017

OPERATING EXPENDITURE	ACTUAL	BUDGET	VARIANCE	EXPLANATION FOR MATERIAL VARIANCES
	R	R	R	
Executive and Council	16 710 911	17 808 880	(1 097 969)	Deviation mainly due to cost saving measures and unrealistic budget estimates
Budget and Treasury Office	40 470 260	38 749 702	1 720 558	Deviation due to increased provision for leave and employee benefits not anticipated
Corporate Services	25 731 055	27 073 058	(1 342 003)	Deviation due to unrealistic budget estimates and grant allocated projects not completed
Community and Social Services	39 436 642	57 611 635	(18 174 993)	Deviation due to unrealistic budget estimates and treatment of agency-principle agreement with the department of housing.
Electricity	83 915 244	84 583 783	(668 539)	Deviation not regarded as material
Infrastructure	61 439 972	61 167 021	272 951	Although not regarded as material, the deviation is mainly due to unrealistic estimates.
<b>Total</b>	<b>267 704 084</b>	<b>286 994 079</b>	<b>(19 289 995)</b>	
<b>CAPITAL EXPENDITURE</b>				
Executive and Council	189 429	556 990	(367 561)	Informal trading area project not completed and rolled over to the next financial year
Budget and Treasury Office	2 451 992	2 738 960	(286 968)	Deviation due to under budget estimates and not regarded as material
Corporate Services	2 289 475	2 450 680	(161 205)	Deviation as a result of unrealistic budget estimates and anticipated projects not completed.
Community and Social Services	2 306 106	3 254 420	(948 314)	Deviation as a result of unrealistic budget estimates and saving on completed project.
Electricity	4 347 480	4 389 909	(42 429)	Deviation due to unrealistic budget estimates and not regarded as material
Infrastructure	12 695 151	14 773 656	(2 078 505)	Deviation as a result of unrealistic budget estimates and anticipated projects not completed.
<b>Total</b>	<b>24 279 633</b>	<b>28 164 615</b>	<b>(3 884 982)</b>	

# CAPE AGULHAS LOCAL MUNICIPALITY

## APPENDIX E (UNAUDITED)

### DISCLOSURE OF GRANTS AND SUBSIDIES FOR THE YEAR ENDING 30 JUNE 2017

	OPENING BALANCE	GRANTS RECEIVED	TRANSFERRED TO REVENUE (OPERATING)	TRANSFERRED TO REVENUE (CAPITAL)	RECEIVABLE RECOGNISED	CLOSING BALANCE
	R	R	R	R	R	R
<b>NATIONAL GOVERNMENT</b>						
Equitable Share	-	23 075 000	(23 075 000)	-	-	-
Financial Management Grant (FMG)	-	1 475 000	(767 145)	(707 855)	-	-
Municipal Systems Improvement Grant (MSIG)	-	-	-	-	-	-
Municipal Infrastructure Grant (MIG)	-	10 501 000	(1 929 086)	(8 571 914)	-	-
Skills Development Fund and SETA Bursaries	130 760	201 093	(752 787)	-	420 934	-
National Electrification Programme (INEP)	-	1 000 000	-	(1 000 000)	-	-
Expanded Public Works Program (EPWP)	-	1 210 000	(1 210 000)	-	-	-
<b>Total</b>	<b>130 760</b>	<b>37 462 093</b>	<b>(27 734 018)</b>	<b>(10 279 769)</b>	<b>420 934</b>	<b>-</b>
<b>PROVINCIAL GOVERNMENT</b>						
Library Services	-	5 350 000	(4 919 939)	(430 061)	-	-
Proclaimed Road Subsidy	-	52 025	(52 025)	-	-	-
Community Development Workers	-	56 000	(56 000)	-	-	-
Finance Management Support Grant	147 990	-	(147 990)	-	-	-
mSCOA Support Grant	-	220 000	(220 000)	-	-	-
Graduate Bursary Scheme	-	120 000	-	-	-	120 000
DPLG Water Meters	-	200 000	-	-	-	200 000
Municipal Productivity Study	-	300 000	-	-	-	300 000
Regional Waste Investigation	-	250 000	-	-	-	250 000
Thusong Centre	-	211 000	(105 141)	(105 859)	-	-
Department of Cultural Affairs and Sport	-	700 000	-	-	-	700 000
Development of Electricity Master Plan		500 000	(500 000)	-	-	-
<b>Total</b>	<b>147 990</b>	<b>7 959 025</b>	<b>(6 001 095)</b>	<b>(535 920)</b>	<b>-</b>	<b>1 570 000</b>
<b>ALL SPHERES GOVERNMENT</b>						
	<b>278 750</b>	<b>45 421 118</b>	<b>(33 735 113)</b>	<b>(10 815 689)</b>	<b>420 934</b>	<b>1 570 000</b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## APPENDIX F (1) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

#### REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

	ORIGINAL BUDGET 2017 R	BUDGET ADJUSTMENTS 2017 R	FINAL BUDGET 2017 R	ACTUAL OUTCOME 2017 R	BUDGET VARIANCE 2017 R	RESTATED OUTCOME 2016 R
<b>REVENUE</b>						
<b>Governance and administration</b>	<b>77 523 100</b>	<b>5 769 648</b>	<b>83 292 748</b>	<b>83 144 628</b>	<b>(148 120)</b>	<b>75 386 238</b>
Executive and council	15 373 100	(1 198 410)	14 174 690	14 205 290	30 600	13 252 297
Budget and treasury office	59 673 000	6 039 258	65 712 258	66 813 749	1 101 491	60 455 533
Corporate services	2 477 000	928 800	3 405 800	2 125 589	(1 280 211)	1 678 408
<b>Community and public safety</b>	<b>51 737 600</b>	<b>(9 757 539)</b>	<b>41 980 061</b>	<b>21 919 210</b>	<b>(20 060 851)</b>	<b>20 664 315</b>
Community and social services	6 148 300	229 961	6 378 261	6 328 157	(50 104)	5 107 940
Sport and recreation	6 600 600	12 500	6 613 100	6 397 209	(215 891)	5 677 972
Public safety	10 888 700	-	10 888 700	9 193 845	(1 694 855)	9 878 403
Housing	28 100 000	(10 000 000)	18 100 000	-	(18 100 000)	-
<b>Economic and environmental services</b>	<b>12 323 800</b>	<b>(179 565)</b>	<b>12 144 235</b>	<b>11 973 909</b>	<b>(170 326)</b>	<b>12 663 701</b>
Planning and development	12 323 800	(179 565)	12 144 235	11 973 909	(170 326)	12 663 701
<b>Trading services</b>	<b>148 945 620</b>	<b>2 513 341</b>	<b>151 458 961</b>	<b>153 389 713</b>	<b>1 930 752</b>	<b>137 339 948</b>
Electricity	97 117 907	2 513 341	99 631 248	99 572 725	(58 523)	89 127 681
Water	23 928 900	-	23 928 900	25 161 846	1 232 946	22 384 017
Waste water management	10 486 700	-	10 486 700	11 671 749	1 185 049	10 459 280
Waste management	17 412 113	-	17 412 113	16 983 393	(428 720)	15 368 970
<b>Total Revenue - Standard</b>	<b>290 530 120</b>	<b>(1 654 115)</b>	<b>288 876 005</b>	<b>270 427 460</b>	<b>(18 448 545)</b>	<b>246 054 203</b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## APPENDIX F (1) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

#### REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

	ORIGINAL BUDGET 2017 R	BUDGET ADJUSTMENTS 2017 R	FINAL BUDGET 2017 R	ACTUAL OUTCOME 2017 R	BUDGET VARIANCE 2017 R	RESTATED OUTCOME 2016 R
<b>EXPENDITURE</b>						
Governance and administration	76 132 871	1 348 009	77 480 880	76 851 408	(629 472)	71 079 227
Executive and council	18 464 910	(656 030)	17 808 880	16 710 911	(1 097 969)	15 089 808
Budget and treasury office	37 298 400	1 451 302	38 749 702	40 470 260	1 720 558	38 210 902
Corporate services	20 369 561	552 737	20 922 298	19 670 237	(1 252 061)	17 778 516
<b>Community and public safety</b>	<b>66 769 960</b>	<b>(9 806 925)</b>	<b>56 963 035</b>	<b>38 896 616</b>	<b>(18 066 419)</b>	<b>33 934 445</b>
Community and social services	13 917 260	144 677	14 061 937	13 672 653	(389 284)	11 760 345
Sport and recreation	9 822 300	196 688	10 018 988	9 956 097	(62 891)	9 311 048
Public safety	13 455 800	(155 590)	13 300 210	13 723 533	423 323	11 638 220
Housing	29 574 600	(9 992 700)	19 581 900	1 544 332	(18 037 568)	1 224 832
<b>Economic and environmental services</b>	<b>26 114 110</b>	<b>(1 212 232)</b>	<b>24 901 878</b>	<b>24 682 505</b>	<b>(219 373)</b>	<b>21 234 875</b>
Planning and development	9 806 910	(471 300)	9 335 610	9 046 679	(288 931)	7 903 682
Road transport	15 656 500	(738 832)	14 917 668	15 095 799	178 131	12 708 978
Environmental protection	650 700	(2 100)	648 600	540 026	(108 574)	622 216
<b>Trading services</b>	<b>128 368 021</b>	<b>(719 735)</b>	<b>127 648 286</b>	<b>127 273 556</b>	<b>(374 731)</b>	<b>115 695 668</b>
Electricity	86 008 942	(1 425 159)	84 583 783	83 915 244	(668 539)	76 723 914
Water	15 206 500	203 180	15 409 680	16 245 271	835 591	15 173 798
Waste water management	9 549 200	68 480	9 617 680	10 070 103	452 423	8 848 819
Waste management	17 603 379	433 764	18 037 143	17 042 936	(994 207)	14 949 136
<b>Total Expenditure - Standard</b>	<b>297 384 962</b>	<b>(10 390 883)</b>	<b>286 994 079</b>	<b>267 704 084</b>	<b>(19 289 995)</b>	<b>241 944 215</b>
<b>Surplus/(Deficit) for the year</b>	<b>(6 854 842)</b>	<b>8 736 768</b>	<b>1 881 926</b>	<b>2 723 376</b>	<b>841 450</b>	<b>4 109 988</b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## APPENDIX F (2) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

#### REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)

	ORIGINAL BUDGET 2017 R	BUDGET ADJUSTMENTS 2017 R	FINAL BUDGET 2017 R	ACTUAL OUTCOME 2017 R	BUDGET VARIANCE 2017 R	RESTATED OUTCOME 2016 R
<b>REVENUE</b>						
Executive and Council	15 373 100	(1 198 410)	14 174 690	14 205 290	30 600	13 252 297
Budget and Treasury Office	59 673 000	6 039 258	65 712 258	66 813 749	1 101 491	60 455 533
Corporate Services	3 368 700	910 900	4 279 600	3 338 746	(940 854)	2 668 680
Community and Social Services	51 737 600	(9 757 539)	41 980 061	21 919 210	(20 060 851)	20 664 315
Electricity	97 117 907	2 513 341	99 631 248	99 572 725	(58 523)	89 127 681
Infrastructure	63 259 813	(161 665)	63 098 148	64 577 739	1 479 591	59 885 696
<b>Total Revenue by Vote</b>	<b>290 530 120</b>	<b>(1 654 115)</b>	<b>288 876 005</b>	<b>270 427 460</b>	<b>(18 448 545)</b>	<b>246 054 203</b>
<b>EXPENDITURE</b>						
Executive and Council	18 464 910	(656 030)	17 808 880	16 710 911	(1 097 969)	15 089 808
Budget and Treasury Office	37 298 400	1 451 302	38 749 702	40 470 260	1 720 558	38 210 902
Corporate Services	25 943 971	1 129 087	27 073 058	25 731 055	(1 342 003)	22 772 701
Community and Social Services	67 420 660	(9 809 025)	57 611 635	39 436 642	(18 174 993)	34 556 661
Electricity	86 008 942	(1 425 159)	84 583 783	83 915 244	(668 539)	76 723 914
Infrastructure	62 248 079	(1 081 058)	61 167 021	61 439 972	272 951	54 590 229
<b>Total Expenditure by Vote</b>	<b>297 384 962</b>	<b>(10 390 883)</b>	<b>286 994 079</b>	<b>267 704 084</b>	<b>(19 289 995)</b>	<b>241 944 215</b>
<b>Surplus/(Deficit) for the year</b>	<b>(6 854 842)</b>	<b>8 736 768</b>	<b>1 881 926</b>	<b>2 723 376</b>	<b>841 450</b>	<b>4 109 988</b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## APPENDIX F (3) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

#### REVENUE AND EXPENDITURE

	ORIGINAL BUDGET 2017 R	BUDGET ADJUSTMENTS 2017 R	FINAL BUDGET 2017 R	ACTUAL OUTCOME 2017 R	BUDGET VARIANCE 2017 R	RESTATED OUTCOME 2016 R
	REVENUE BY SOURCE					
Property rates						
Service charges - electricity revenue	54 671 400	(242 000)	54 429 400	54 801 761	372 361	49 930 979
Service charges - water revenue	95 198 058	6 818	95 204 876	95 089 987	(114 889)	85 550 702
Service charges - sanitation revenue	22 393 300	(1 454 940)	20 938 360	21 719 102	780 742	19 423 737
Service charges - refuse revenue	7 527 900	371 340	7 899 240	8 958 631	1 059 391	8 152 157
Rental of facilities and equipment	13 604 013	(104 950)	13 499 063	13 348 813	(150 250)	12 141 555
Interest earned - external investments	7 664 400	47 100	7 711 500	7 786 767	75 267	6 440 756
Interest earned - outstanding debtors	1 899 500	150 000	2 049 500	2 130 979	81 479	1 906 965
Fines	876 000	677 060	1 553 060	1 563 532	10 472	1 168 653
Licences and permits	8 538 000	1 500	8 539 500	6 418 487	(2 121 013)	7 307 749
Agency services	924 500	-	924 500	1 109 013	184 513	1 018 906
Transfers recognised - operational	1 373 900	-	1 373 900	1 614 960	241 060	1 520 406
Other revenue	60 774 936	(7 858 687)	52 916 249	33 735 113	(19 181 136)	30 085 805
Gains on disposal of Properties	3 153 149	5 878 116	9 031 265	10 433 353	1 402 088	3 756 059
Total Revenue (excluding capital transfers and contributions)	278 599 056	(2 528 643)	276 070 413	258 722 499	(17 347 914)	232 036 014

# CAPE AGULHAS LOCAL MUNICIPALITY

## APPENDIX F (3) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

#### REVENUE AND EXPENDITURE

EXPENDITURE BY TYPE	ORIGINAL	BUDGET	FINAL	ACTUAL	BUDGET	RESTATED
	BUDGET	ADJUSTMENTS	BUDGET	OUTCOME	VARIANCE	OUTCOME
	2017	2017	2017	2017	2017	2016
	R	R	R	R	R	R
Employee related costs	101 846 744	34 311	101 881 055	107 931 799	6 050 744	98 825 565
Remuneration of councillors	4 785 700	-	4 785 700	4 743 451	(42 249)	3 624 961
Debt impairment	7 400 200	-	7 400 200	10 595 841	3 195 641	8 221 894
Depreciation & asset impairment	10 887 600	-	10 887 600	11 019 554	131 954	10 723 661
Finance charges	8 526 822	930 591	9 457 413	9 307 095	(150 318)	7 635 572
Bulk purchases	75 101 100	(1 880 000)	73 221 100	73 081 748	(139 352)	66 953 199
Contracted services	10 982 400	(2 101 520)	8 880 880	13 025 589	4 144 709	9 352 610
Transfers and grants	1 783 110	25 000	1 808 110	1 464 986	(343 124)	1 491 350
Other expenditure	76 071 286	(7 399 265)	68 672 021	35 845 228	(32 826 793)	34 766 420
Loss on disposal of PPE	-	-	-	688 792	688 792	348 983
<b>Total Expenditure</b>	<b>297 384 962</b>	<b>(10 390 883)</b>	<b>286 994 079</b>	<b>267 704 084</b>	<b>(19 289 995)</b>	<b>241 944 215</b>
<b>Surplus/(Deficit)</b>	<b>(18 785 906)</b>	<b>7 862 240</b>	<b>(10 923 666)</b>	<b>(8 981 585)</b>	<b>1 942 081</b>	<b>(9 908 201)</b>
Transfers recognised - capital	11 931 064	(31 623)	11 899 441	10 815 689	(1 083 752)	12 898 517
Contributions Recognised - capital	-	708 190	708 190	169 206	(538 984)	733 782
Contributed Assets	-	197 961	197 961	720 066	522 105	385 890
<b>Surplus/(Deficit) for the year</b>	<b>(6 854 842)</b>	<b>8 736 768</b>	<b>1 881 926</b>	<b>2 723 376</b>	<b>841 450</b>	<b>4 109 988</b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## APPENDIX F (4) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

#### CAPITAL EXPENDITURE

	ORIGINAL BUDGET 2017 R	BUDGET ADJUSTMENTS 2017 R	FINAL BUDGET 2017 R	ACTUAL OUTCOME 2017 R	BUDGET VARIANCE 2017 R	RESTATED OUTCOME 2016 R
<b>CAPITAL EXPENDITURE (VOTE)</b>						
<b>Multi-year expenditure</b>						
Budget and Treasury Office	-	2 376 920	2 376 920	2 083 960	(292 960)	-
Corporate Services	80 000	(57 600)	22 400	22 379	(21)	-
Community and Social Services	-	-	-	-	-	1 098 293
Infrastructure	300 000	-	300 000	-	(300 000)	1 178 837
<b>Total Multi-year expenditure</b>	<b>380 000</b>	<b>2 319 320</b>	<b>2 699 320</b>	<b>2 106 339</b>	<b>(592 981)</b>	<b>2 277 130</b>
<b>Single-year expenditure</b>						
Executive and Council	520 365	36 625	556 990	189 429	(367 561)	16 029
Budget and Treasury Office	419 100	(57 060)	362 040	368 032	5 992	25 287
Corporate Services	2 278 200	150 080	2 428 280	2 267 096	(161 184)	2 052 505
Community and Social Services	3 423 150	(168 730)	3 254 420	2 306 106	(948 314)	5 567 791
Electricity	3 640 429	749 480	4 389 909	4 347 480	(42 429)	4 019 936
Infrastructure	13 970 681	502 975	14 473 656	12 695 151	(1 778 505)	7 626 525
<b>Total Single-year expenditure</b>	<b>24 251 925</b>	<b>1 213 370</b>	<b>25 465 295</b>	<b>22 173 294</b>	<b>(3 292 001)</b>	<b>19 308 074</b>
<b>Total Capital Expenditure by Vote</b>	<b>24 631 925</b>	<b>3 532 690</b>	<b>28 164 615</b>	<b>24 279 633</b>	<b>(3 884 982)</b>	<b>21 585 204</b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## APPENDIX F (4) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

#### CAPITAL EXPENDITURE

	ORIGINAL BUDGET 2017 R	BUDGET ADJUSTMENTS 2017 R	FINAL BUDGET 2017 R	ACTUAL OUTCOME 2017 R	BUDGET VARIANCE 2017 R	RESTATED OUTCOME 2016 R
<b>CAPITAL EXPENDITURE (STANDARD CLASSIFICATION)</b>						
<b>Governance and administration</b>	<b>3 297 665</b>	<b>2 448 965</b>	<b>5 746 630</b>	<b>4 930 896</b>	<b>(815 734)</b>	<b>2 093 822</b>
Executive and council	520 365	36 625	556 990	189 429	(367 561)	16 029
Budget and treasury office	419 100	2 319 860	2 738 960	2 451 992	(286 968)	25 287
Corporate services	2 358 200	92 480	2 450 680	2 289 475	(161 205)	2 052 505
<b>Community and public safety</b>	<b>3 423 150</b>	<b>(168 730)</b>	<b>3 254 420</b>	<b>2 306 106</b>	<b>(948 314)</b>	<b>6 666 084</b>
Community and social services	1 452 950	(298 200)	1 154 750	980 168	(174 582)	4 808 783
Sport and recreation	1 941 200	(66 830)	1 874 370	1 100 673	(773 697)	1 377 242
Public safety	29 000	196 300	225 300	225 265	(35)	325 374
Housing	-	-	-	-	-	154 685
<b>Economic and environmental services</b>	<b>9 737 297</b>	<b>(118 523)</b>	<b>9 618 774</b>	<b>8 748 538</b>	<b>(870 236)</b>	<b>4 243 325</b>
Planning and development	1 702 289	(536 723)	1 165 566	1 118 772	(46 794)	-
Road transport	8 035 008	418 200	8 453 208	7 629 766	(823 442)	4 243 325
<b>Trading services</b>	<b>8 173 813</b>	<b>1 370 978</b>	<b>9 544 791</b>	<b>8 294 093</b>	<b>(1 250 698)</b>	<b>8 581 973</b>
Electricity	3 640 429	749 480	4 389 909	4 347 480	(42 429)	4 019 936
Water	3 656 192	(145 220)	3 510 972	2 303 224	(1 207 748)	337 974
Waste water management	877 192	702 318	1 579 510	1 579 165	(346)	3 974 070
Waste management	-	64 400	64 400	64 225	(175)	249 993
<b>Total Capital Expenditure - Standard</b>	<b>24 631 925</b>	<b>3 532 690</b>	<b>28 164 615</b>	<b>24 279 633</b>	<b>(3 884 982)</b>	<b>21 585 204</b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## APPENDIX F (4) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

#### CAPITAL EXPENDITURE

	ORIGINAL BUDGET 2017 R	BUDGET ADJUSTMENTS 2017 R	FINAL BUDGET 2017 R	ACTUAL OUTCOME 2017 R	BUDGET VARIANCE 2017 R	RESTATED OUTCOME 2016 R
<b>CAPITAL EXPENDITURE (FUNDING SOURCES)</b>						
National Government	10 475 610	(16 819)	10 458 791	10 279 769	(179 022)	12 474 796
Provincial Government	1 455 450	(14 800)	1 440 650	535 920	(904 730)	721 935
<b>Transfers recognised - capital</b>	<b>11 931 060</b>	<b>(31 619)</b>	<b>11 899 441</b>	<b>10 815 689</b>	<b>(1 083 752)</b>	<b>13 196 731</b>
Public contributions & donations	-	906 160	906 160	884 575	(21 585)	1 119 022
Borrowing	3 750 000	74 170	3 824 170	2 620 035	(1 204 135)	2 573 190
Internally generated funds	8 950 865	2 583 979	11 534 844	9 959 334	(1 575 510)	4 696 261
<b>Total Capital Funding</b>	<b>24 631 925</b>	<b>3 532 690</b>	<b>28 164 615</b>	<b>24 279 633</b>	<b>(3 884 982)</b>	<b>21 585 204</b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## APPENDIX F (5) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

#### CASH FLOWS

	ORIGINAL BUDGET 2017 R	BUDGET ADJUSTMENTS 2017 R	FINAL BUDGET 2017 R	ACTUAL OUTCOME 2017 R	BUDGET VARIANCE 2017 R	RESTATED OUTCOME 2016 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
<b>Receipts</b>						
Property rates, penalties & collection charges	53 082 289	367 382	53 449 671	52 601 208	(848 463)	48 573 465
Service charges	134 691 058	374 733	135 065 791	134 653 593	(412 198)	120 075 610
Other revenue	16 010 428	11 575 583	27 586 011	10 807 776	(16 778 235)	2 971 078
Government - operating	60 024 936	(7 387 437)	52 637 499	33 905 429	(18 732 070)	36 734 956
Government - capital	11 931 064	(31 623)	11 899 441	11 515 689	(383 752)	13 024 692
Interest	2 750 038	824 567	3 574 605	3 694 511	119 906	3 075 618
<b>Payments</b>						
Suppliers and employees	(264 144 878)	17 757 592	(246 387 286)	(211 524 114)	34 863 171	(213 199 157)
Finance charges	(503 700)	-	(503 700)	(353 392)	150 308	(140 796)
Transfers and Grants	(1 783 110)	330 110	(1 453 000)	(1 464 986)	(11 986)	(1 491 350)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>12 058 124</b>	<b>23 810 908</b>	<b>35 869 032</b>	<b>33 835 715</b>	<b>(2 033 318)</b>	<b>9 624 114</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
<b>Receipts</b>						
Proceeds on disposal of Assets	-	-	-	20 000	20 000	4 623 333
Decrease other non-current receivables	4 439	22 768	27 208	27 098	(110)	28 751
<b>Payments</b>						
Capital assets	(24 631 925)	(3 532 690)	(28 164 615)	(23 510 834)	4 653 781	(20 756 300)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(24 627 486)</b>	<b>(3 509 922)</b>	<b>(28 137 407)</b>	<b>(23 463 736)</b>	<b>4 673 671</b>	<b>(16 104 215)</b>

# CAPE AGULHAS LOCAL MUNICIPALITY

## APPENDIX F (5) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

#### CASH FLOWS

	ORIGINAL BUDGET 2017 R	BUDGET ADJUSTMENTS 2017 R	FINAL BUDGET 2017 R	ACTUAL OUTCOME 2017 R	BUDGET VARIANCE 2017 R	RESTATED OUTCOME 2016 R
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
<b>Receipts</b>						
Borrowing long term/refinancing	3 750 000	74 170	3 824 170	220 035	(3 604 135)	2 428 390
Increase (decrease) in consumer deposits	249 146	(68 782)	180 364	282 667	102 303	163 236
<b>Payments</b>						
Repayment of borrowing	(622 667)	(816 810)	(1 439 477)	(897 009)	542 468	(561 819)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>3 376 479</b>	<b>(811 422)</b>	<b>2 565 056</b>	<b>(394 307)</b>	<b>(2 959 364)</b>	<b>2 029 807</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>(9 192 883)</b>	<b>19 489 564</b>	<b>10 296 681</b>	<b>9 977 672</b>	<b>(319 010)</b>	<b>(4 450 295)</b>
Cash/cash equivalents at the year begin:						
	19 290 914	(4 907 116)	14 383 798	14 383 798	-	18 834 093
Cash/cash equivalents at the year end:						
	10 098 032	14 582 447	24 680 479	24 361 469	(319 010)	14 383 798
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>(9 192 883)</b>	<b>19 489 564</b>	<b>10 296 681</b>	<b>9 977 672</b>	<b>(319 010)</b>	<b>(4 450 295)</b>